

INVESTIGATING WASTE, FRAUD AND ABUSE IN AFGHANISTAN

HEARING BEFORE THE SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS OF THE COMMITTEE ON FOREIGN AFFAIRS HOUSE OF REPRESENTATIVES ONE HUNDRED TWELFTH CONGRESS SECOND SESSION

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WEDNESDAY, JUNE 6, 2012

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:31 p.m., in room 2200, Rayburn House Office Building, Hon. Dana Rohrabacher (chairman of the subcommittee) presiding.

Mr. ROHRABACHER. I call to order this hearing of the Oversight and Investigations Subcommittee of the House Foreign Affairs Committee, and I was just about to ask for unanimous consent to move ahead.

All right. So what we will be doing is we both have some opening statements, and then we will proceed with the witnesses, and hopefully we can be done here—votes will start around 4:30. So our goal is to be totally out of here and done with the hearing by 4:30. Let's see if we can do that.

So I will begin, with your permission, begin with an opening statement.

James Risen has had a story in the New York Times, in fact it was this last Sunday, which focused on the family of Afghan President Hamid Karzai.

[The article referred to follows:]

The New York Times

June 3, 2012

Intrigue in Karzai Family as an Afghan Era Closes

By JAMES RISEN



The Karzais in a copy of an undated photo. Top row: Shah Wali Karzai; Ahmed Wali Karzai; Hamid Karzai, now president; and Abdul Wali Karzai. Bottom row: Abdul Ahmad Karzai; Qayum Karzai; Abdul Ahad Karzai, the patriarch; and Mahmoud Karzai.

WASHINGTON — With the end in sight for Hamid Karzai's days in office as Afghanistan's president, members of his family are trying to protect their status, weighing how to hold on to power while secretly fighting among themselves for control of the fortune they have amassed in the last decade.

One brother, Qayum Karzai, is mulling a run for the presidency when his brother steps down in 2014. Other brothers have been battling over the crown jewel in the family empire — the largest

private residential development in Afghanistan. The conflict over the project, known as Aino Mena, has provoked accusations of theft and extortion, even reports of an assassination plot.

"It's family," Qayum Karzai said. "They get upset, and over time they get over it. I hope they get over it."



L. Samcem/European Pressphoto Agency

Shah Wali Karzai. President Karzai appointed him as head of the family's tribe after another brother, Ahmed Wali Karzai, was murdered last year.

One Karzai brother is also said to have imprisoned a longtime Karzai aide in an effort to make him disclose the whereabouts of money and assets that relatives suspect were hidden by Ahmed Wali Karzai, another of President Karzai's brothers and the political boss of southern Afghanistan who was assassinated last year. He was often accused of benefiting from the Afghan opium trade and an array of corrupt deals, though he denied such claims.

The looming withdrawal of American and NATO troops by 2014 from the still unresolved war, along with President Karzai's coming exit, is causing anxiety among the Afghan elite who have been among the war's biggest beneficiaries, enriching themselves from American military contracts, insider business deals with foreign companies, government corruption and narcotics trafficking.

"If you are one of the Afghan oligarchs, where you put your money and where you live is an open question now," Seth Jones, an analyst at the RAND Corporation, said. "That means you are thinking about moving your money and finding a backup option about where to live."

The president's family — many of whom are American citizens who returned to Afghanistan after an American-led coalition toppled the Taliban in 2001 and brought Mr. Karzai to power — are among those who have prospered the most, by the accounts of many Afghan businessmen and government insiders.

Several political observers in Kabul said any candidacy by Qayum Karzai, a longtime Maryland resident who has served in the Afghan Parliament, would be a long shot because of the nation's fatigue with Hamid Karzai and widespread resentment over the rampant corruption that has tainted his government.

Even some of the Karzai family's own business partners are among the critics.

"We have an illegitimate and irresponsible government because of Karzai and his family," said Abdullah Nadi, an Afghan-American developer from Virginia who is a partner in the Aino Mena housing development, but who is trying to get out of the venture.

While exploiting their opportunities in Afghanistan, the extended Karzai family has for years simmered with tensions, jealousies, business rivalries, blood feuds and even accusations of murder. With the often-fractionious family, it can be difficult to discern the truth, but everyone agrees that the conflict over control of its empire can be traced back to the death in July 2011 of Ahmed Wali Karzai, who had risen from working as a waiter in Chicago to become one of the most powerful men in Afghanistan, serving as the chairman of the Kandahar Provincial Council.

His murder, by an Afghan thought to be a loyal supporter, left a power vacuum in Kandahar — and in the Karzai family. President Karzai appointed another brother, Shah Wali Karzai, to take on their slain brother's role as head of the Populzai, the Karzai's family tribe.

No one expected much from him. Quiet and reserved, he was largely overshadowed by Ahmed Wali Karzai, and even lived in his more powerful brother's compound in Kandahar.

But Shah Wali Karzai has been transformed in the past year. In addition to his role as tribal chief, he serves as project manager of Aino Mena, the sprawling residential development on the outskirts of Kandahar being developed by AFCO, a corporation owned by another brother, Mahmoud Karzai, and his four partners.

They have built 3,000 homes, with plans for a total of 14,700. The developers are building on 10,000 acres, land that Afghan military officials have claimed was illegally seized from the Ministry of Defense.

Emboldened after Ahmed Wali Karzai's death, Shah Wali Karzai appeared no longer satisfied to serve just as an employee at Aino Mena. At some point in the past few months, he created his own corporation in Kandahar and then secretly moved all of the cash from the housing development's bank accounts to those of his new business.

According to several AFCO partners, Shah Wali Karzai had transferred about \$55 million. "He simply opened another company, and put the money in that company," Mahmoud Karzai said in an interview.

Mr. Nadi, one of the partners in Aino Mena, accused Shah Wali Karzai of forging his signature on documents to make it appear as if he had approved the creation of Shah Wali Karzai's company as the new corporate parent of Aino Mena. "I had no clue what the hell was going on," Mr. Nadi said in an interview.

When Mahmoud Karzai discovered what his brother had done, he demanded that Shah Wali return the money. But Shah Wali refused, and instead insisted that he be made a partner in Aino Mena. Mahmoud and his partners refused, and the two sides settled into a bitter stalemate.

Shah Wali Karzai does not deny transferring the money to his corporation. But he justified his actions by saying that he is protecting the money for the sake of the people of Kandahar. He has told others in Kandahar that if he had not taken the money, Mahmoud Karzai could have moved it to secret bank accounts in Dubai. Aino Mena would then have risked failure just like Kabul Bank, another of Mahmoud Karzai's business ventures, he argued.

Mahmoud Karzai was a key figure in the scandal surrounding the near-collapse of the bank, which was Afghanistan's largest, in 2010. It lost about \$900 million in insider deals, much of which is believed to have ended up in secret bank accounts in Dubai. Last year, a federal grand jury in New York began a criminal investigation into Mahmoud Karzai's business activities in Afghanistan, pursuing accusations of tax evasion, racketeering and extortion. No charges have been brought against Mahmoud Karzai, who is a United States citizen.

"The money belongs to the people of Kandahar," Shah Wali Karzai said in a statement in response to questions about transferring the housing development funds. "They paid much of that money for the infrastructure at Aino Mena."

He added, "When I became project manager, they owed money to the bank and local contractors, and all the money was paid off as I turned around that company from an almost bankrupt one to a successful one."

Mahmoud Karzai said he and his partners have filed complaints with the Afghan attorney general, accusing Shah Wali Karzai of stealing their money and using extortion to gain a partnership stake in Aino Mena. The attorney general has refused to move against Shah Wali Karzai, apparently unwilling to get involved in what he sees as a family battle.

Qayum Karzai said he attempted to negotiate a settlement, but has backed off. "Tempers were flaring up," he said in an interview. "I tried to mediate, but I failed."

President Karzai has been reluctant to take sides in the family dispute, though his government has been drawn into the matter. The Afghan Central Bank has finally intervened, freezing the bank accounts of Shah Wali Karzai's company. Mahmoud Karzai said a deal was in the works, but other partners said the dispute had not been resolved.

In the midst of the conflict, Afghan security officials uncovered a plot to kill Mahmoud Karzai. About two months ago, the National Directorate of Security, the Afghan domestic intelligence agency, identified at least three Afghans, including two former employees of the Aino Mena development, who had been involved in a plot to kill Mahmoud Karzai and possibly others. One man was arrested and later released. The two former Aino Mena employees implicated in the plot had both been fired by Mahmoud Karzai.

Afghan security officials have not accused Shah Wali Karzai of any involvement in the scheme. He denies any involvement in it, and Mahmoud Karzai said in an interview, "I refuse to believe that my brother had anything to do with it."

Family members said that Shah Wali Karzai had also been trying to unlock the secrets of his dead brother's fortune.

After Ahmed Wali Karzai was killed, his most trusted aide, Zamarai — like many Afghans, he uses only one name — moved to Dubai. Reports of his lavish lifestyle there fed suspicions within the family that Zamarai had access to riches hidden by Ahmed Wali Karzai, perhaps through accounts and properties that had been placed in Zamarai's name.

When Zamarai returned recently to Kandahar — some family members claim he was lured back by Aziz Karzai, Afghanistan's ambassador to Russia and President Karzai's uncle, an account the envoy flatly denies — he was detained by security personnel working for Shah Wali Karzai, according to relatives.

Mahmoud Karzai says he believes that Zamarai knows the whereabouts of "one or two million dollars." Others familiar with the matter say that Shah Wali Karzai suspects that Zamarai knows about hundreds of millions of dollars more hidden in Dubai and elsewhere, including assets in Afghan businesses and real estate.

Zamarai is being held at Sarposa Prison in Kandahar, where he is guarded by Shah Wali Karzai's security personnel rather than the regular prison guards, according to several people familiar with the matter but who asked not to be identified for fear of retribution from the Karzai family.

He has not been charged with any crime.

When asked through Gerald Posner, a Karzai family lawyer, about Zamarai and whether he is holding him, Shah Wali Karzai declined to comment.

Mr. ROHRABACHER. Risen reported and I quote:

“Members of his family are trying to protect their status, weighing how to hold onto power while secretly fighting among themselves for the control of the fortune they have amassed in the last decade. One brother, Qayum Karzai, is mulling a run for the Presidency when his brother steps down in 2014.”

There have been previous reports that Hamid himself might try to change or circumvent the constitution to serve a prohibited third 5-year term. Risen quotes a business partner of the Karzai family as saying, and I quote:

“We have an illegitimate and irresponsible government because of Karzai and his family.”

I have long been concerned about this problem, because the U.S. has unwisely bet everything on Hamid Karzai, giving him unprecedented power, in an overly centralized government that contradicts Afghan history and culture with its over-centralization. Ten years of his rule has left the country teetering on the brink of collapse, even with the backing of half a trillion American dollars, and a vast and NATO Army at his disposal, from which some 2,000 Americans have been killed, and thousands more have been grievously wounded. And we are now on the hook for perhaps another decade of blood and treasure after 2014 to maintain an inherently flawed strategy.

I wanted the GAO to look specifically into business deals involving Hamid Karzai and his family and their inner circle that have used U.S. funds. I was told that the GAO could not provide answers because, and I quote:

“The lack of complete data on U.S. contracts with performance in Afghanistan, the difficulty in obtaining publicly releasable information on Afghan firms, and the improbability that ownership interest in firms could be identified. Additionally, the database does not provide information on subcontract awards.”

USAID is one of those agencies that is not keeping adequate records on who is benefiting from American aid, and I want to know why. I want to know exactly why that is the situation, or that can be disputed. If a reporter for the New York Times can find out about Karzai’s family, why can’t USAID? I approached the Special Inspector General for Afghanistan Reconstruction and was told that they couldn’t do it because they only have 120 people working for them, working there, it said.

Well, as has been widely reported, President Karzai denied me entry into Afghanistan as part of a congressional delegation in April. I have serious concerns about the strategy we have been pursuing in Afghanistan, but what has made the debate personal for Karzai, is this investigation into the corruption of his administration and what I may call a decentralization strategy that I support, and perhaps that is making him upset as well, because what reforms I am calling for could mean a great deal to the family fortune, so to speak.

Many people in Washington as well as in Kabul do not want me or anyone else to look into the basket to see if all the eggs are still there. That includes the State Department, which has gone all in

for Karzai, but it also includes Congress, where my request to hold hearings, conduct investigations, and explore alternative strategies for Afghanistan have been denied time and again. Indeed, I wonder if someone will cut off the broadcast of this session before it concludes, which is what happened last time I held such a hearing.

Too many careers have been tied to Karzai; so many that the campaign is now out to save him. Instead, we are ending up trying to save him rather than save Afghanistan. Indeed, I was told not to mention Karzai in the title of this hearing. SIGAR has reported Afghanistan is plagued by corruption and is tied for third as the most corrupt country in the world, according to Transparency International's Annual Corruption Perception Index. Corruption threatens the U.S. military and reconstruction missions as well as the Afghan Government's legitimacy among its own people.

Unfortunately, the records being kept by the United States Government agencies and departments, including USAID, and the lack of access to the Afghan Government's records, has made it virtually impossible for the GAO to do its job or to help this Oversight and Investigations Subcommittee do its job to safeguard the interests of the United States and the American taxpayer.

There has, however, been a scandal so big that it could not be hidden by the bureaucracy. That was the Kabul Bank case. The Kabul Bank was the largest commercial bank in Afghanistan and held one-third of the entire banking system's assets. It was looted through a series of insider loans that were never meant to be paid back. The bank collapsed and was bailed out to the tune of \$825 million according to the IMF. One of the central figures in that bank scandal was Hamid Karzai's brother, Mahmoud Karzai, who was given interest-free loans which he then used in part to buy a stake in the bank itself.

It has been reported that much of the money loaned out by the bank was used to speculate on real estate in Dubai. So there was not even a pretext that the capital was being used to provide development for the Afghan economy. Which brings us to the U.S. Agency for International Development, which will be represented here today on our second panel.

USAID and its contractors were involved in advising the Afghan Central Bank on regulations and supervising the operation of the banking system at the time the Kabul Bank scandal was taking place. USAID has claimed it could not have prevented such fraud, and I am hoping its witnesses today, or witness today, can elaborate on why it could not do so. The U.S. used the the Bank of Kabul for many, many transactions, so we had leverage and we had a great deal relationship with the people running the bank.

For Fiscal Year 2013, the USAID request for Afghanistan is \$5.2 billion. Since 2002, USAID has awarded \$15.2 billion in Afghanistan reconstruction projects. However, a majority staff report from the Senate Foreign Relations Committee on June 8th of 2011, found that, and I quote.

"Roughly 80 percent of USAID's resources are being spent in Afghanistan's restive south and east. Only 20 percent is going to the rest of the country."

Would it not be better as a long-term strategy in a civil war-type situation to build up the capabilities and areas that were loyal, or more loyal to you and to our country—for example, the northern—the areas where the Northern Alliance is more dominant? There is an old adage that goes: “I don’t need to pay my enemies to hate me because they will do it for free.” It is our friends we want to reward.

So there should be a distribution of aid—and there should have been all along—that is much fairer and more balanced than simply this southern-tier push to focus aid that we have seen, that we now know about in Afghanistan. The GAO reports have raised questions about how well USAID has protected American taxpayer dollars in Afghanistan, and I was shocked to learn from one report that it was only in January 2011 that USAID created a process to vet non-U.S. contractors regarding whether they were a terrorist or organized-crime funding risk.

How many years of counterterrorist campaign does it take to start to worry about whether American funds are going into the pockets of terrorists? Part of the problem is that so many contracts get passed down through multilayers of subcontractors, so somebody gets the money. Then there comes the subcontractor, and who the heck knows who the subcontractor’s subcontractor is. At each step the money is taken out of the stream, but the work then is passed on to someone else. It is less a process of construction than a systematic process of looting conducted by a labyrinth of shady connections that no one seems to be able to keep track of, and that everyone knows about the ties that it has—or whoever they are dealing with have to the government.

So Afghani leaders can get rich through a \$300 million power plant in Kabul that is too expensive to run, or a power plant in Kandahar that has no electric grid to which it can be connected, or a Helmand River dam whose generator is rusted as the project has stalled.

We have in Ghazni Province, \$4 million went to an Afghan firm whose owners fled to the Netherlands with the money after paving less than a mile of a 17-mile road project. I am hoping that both the GAO and the USAID can suggest a better way to control American money going forward through 2014 and beyond.

I hope we can find an alternate strategy in Afghanistan, but whatever we decide to do, we need to make sure the money we spend actually goes to support our objectives, especially doesn’t go to support people who hate the goals that we have laid down and our people are giving their lives for as we speak. But that hasn’t been done so far.

In 2010, I was briefed on a new software system that can be seamlessly inserted into all of the American taxpayer expenditures of aid funds for Afghanistan or any other recipient. If we insist that our aid be spent from a separate account and paid by a check, then this software will track every transaction as our money moves through the local economy, including the initial transaction involving our money that is made to a recipient outside of Afghanistan.

So I think the technology exists that we can get the job done if the will exists to try to get control of this situation. Corruption must be stamped out. It would be ironic, as well as tragic, if one

of the results of American development assistance was to provide the Afghan oligarchy in which the U.S. has invested so much, the means to implement personal exit strategies if things get rough.

Most of the Karzai family and its cronies did flee the country the last time the Taliban invaded, and only came back to Afghanistan when they were protected by United States troops. In contrast, the Northern Alliance fought the Taliban every step of the way, never quit, and were on the vanguard when we fought to drive the Taliban out of Afghanistan in 9/11.

We do not want cowardly allies who will take their ill-gotten gains and cut and run, rather than stand and defend their country. We need allies who are rooted in the country, not sitting on huge foreign bank accounts and willing to take off once the going gets rough.

With that said, I will now yield for an opening statement of any length that you would like to Mr. Carnahan, our ranking member.

[The prepared statement of Mr. Rohrabacher follows:]

OPENING STATEMENT: WASTE, FRAUD AND ABUSE IN AFGHANISTAN
 CHAIRMAN DANA ROHRABACHER
 FOREIGN AFFAIRS SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS,
 JUNE 6, 2012

James Risen had a story in the *New York Times* this last Sunday which focused on the family of Afghan President Hamid Karzai. Risen reported, "Members of his family are trying to protect their status, weighing how to hold on to power while secretly fighting among themselves for control of the fortune they have amassed in the last decade. One brother, Qayum Karzai, is mulling a run for the presidency when his brother steps down in 2014." There have been previous reports that Hamid himself might try to change or circumvent the Constitution to serve a prohibited third 5-year term.

Risen quotes a business partner of the Karzai family as saying, "We have an illegitimate and irresponsible government because of Karzai and his family."

I have long been concerned about this problem because the U.S. has unwisely bet everything on Hamid Karzai, giving him unprecedented power in an overly centralized government that contradicts Afghan history and culture. Ten years of his rule has left the country teetering on the brink of collapse, even with the backing of with half a trillion American dollars, and a vast U.S. and NATO army----from which some 2,000 Americans have been killed and thousands more grievously wounded. And we are now on the hook for perhaps another decade of blood and treasure after 2014 to maintain an inherently flawed strategy.

I wanted GAO to look specifically into business deals involving President Hamid Karzai, his family and inner circle that have used U.S. funds. I was told that GAO could not provide answers because, "The lack of complete data on U.S. contracts with performance in Afghanistan, the difficulty in obtaining publicly releasable information on Afghan firms, and the improbability that ownership interests in firms could be identified....Additionally, the data base does not provide information on subcontract awards." The USAID is one of those agencies that is not keeping adequate records on who is benefitting from American aid and I want to know why.

If a reporter for the *New York Times* can find out about Karzai's family, why can't USAID?

I approached the Special Inspector General for Afghanistan Reconstruction (SIGAR) and was told they couldn't do it because they only had 120 people working there.

As has been widely reported, President Karzai denied me entry into Afghanistan as part of a Congressional delegation in April. I have serious concerns about the strategy we have been pursuing in Afghanistan, but what has made the debate personal for Karzai is this investigation into the corruption of his administration and what my call for a de-centralized, federal government would mean to his family's fortune.

Many people in Washington as well as in Kabul do not want me or anyone else to look into the basket to see if all the eggs are still there. That includes the State Department which has gone “all in” for Karzai. But it also includes Congress, where my requests to hold hearings, conduct investigations and explore alternative Afghan strategies have often been denied. Indeed, I wonder if someone will cut off the broadcast of this session before we conclude, like as happened last time.

Too many careers have been tied to Karzai, so many that the campaign is now about saving him, not Afghanistan. Indeed, I was told not to mention Karzai in the title of this hearing!

SIGAR has reported, “Afghanistan is plagued by corruption, and is tied for third as the most-corrupt country in the world, according to Transparency International's annual corruption perception index. Corruption threatens the U.S. military and reconstruction missions, as well as the Afghan government's legitimacy among its own people.”

Unfortunately, the records being kept by U.S. government agencies and departments (including USAID), and the lack of access to Afghan government records, has made it virtually impossible for GAO to do its job or to help this Oversight and Investigations Subcommittee to do its job to safeguard the interests of the United States and the American taxpayer.

There has, however, been a scandal so big it could not be hidden by the bureaucracy. That was the Kabul Bank case. The Kabul Bank was the largest commercial bank in Afghanistan and held one-third of the entire banking system's assets. It was looted through a series of insider loans that were never meant to be paid back. The bank collapsed and was bailed out to the tune of \$825 million according to the IMF. One of the central figures in the scandal was Hamid Karzai's brother Mahmoud Karzai who was given interest free loans which he used in part to buy a stake in the bank itself. It has been reported that much of the money loaned out by the bank was used to speculate in real estate in Dubai, so there was not even a pretext that capital was being provided to develop the Afghan economy.

Which brings us to the U.S. Agency for International Development (USAID), which will be represented on our second panel.

USAID and its contractors were involved in advising the Afghan Central Bank on regulations and supervising the operations of the banking system at the time the Kabul Bank scandal was taking place. USAID has claimed it could not have prevented the fraud, and I am hoping its witness here today can elaborate on why it could not do so. The U.S. used the Kabul Bank for many of its transactions.

For FY 2013, the USAID request for Afghanistan is for \$5.2 billion. Since 2002, USAID has awarded \$15.2 billion in Afghan reconstruction funds. However, a majority staff report from the Senate Foreign Relations Committee (June 8, 2011) found that “roughly 80 percent of USAID's resources are being spent in Afghanistan's restive south and east. Only 20 percent is going to the rest of the country.” Would it not be better as a long-term strategy in a civil war to build up the capabilities of the loyal areas of the Northern Alliance? There is an old saying that goes “I don't need to pay my enemies to hate me, they will do it for free.”

It's our friends we want to reward, so there should be a distribution of aid that is fairer and more balanced.

GAO reports have raised questions about how well USAID has protected American taxpayer dollars in Afghanistan. I was shocked to learn from one report that it was only in January 2011 that USAID created a process to vet non-U.S. contractors regarding whether they were a terrorist or organized crime "funding risk." How many years of a counter-terrorist campaign does it take to start worrying about whether American funds are going into terrorist pockets?

Part of the problem is that so many contracts get passed down through multiple layers of sub-contractors. At each step, money is taken out of the stream, but the work is then passed on to someone else. It is less a process of construction than of systematic looting; conducted in a labyrinth of shady connections that no one seems able to track, but that everyone "knows" has ties to the government.

So Afghan elites can get rich from a \$300 million power plant in Kabul that is too expensive to run, or a power plant in Kandahar that has no electrical grid to which it can connect; or a Helmand River dam whose generator is rusting as the project has stalled. In Ghazni province, \$4 million went to an Afghan firm whose owners fled to the Netherlands with the money after paving less than a mile of a 17 mile road project.

I am hoping that both the GAO and USAID can suggest better ways to control American money going forward through 2014 and beyond. I hope we can find an alternative strategy in Afghanistan, but whatever we decide to do; we need to make sure the money we spend actually goes to support our objectives. That has not been the case so far.

In 2010 I was briefed on a new software system that can be seamlessly inserted into all of the American taxpayers' expenditures of aid funds for Afghanistan, or any aid recipient. If we insist that our aid be spent from a separate account and paid by check then this software will track every transaction as our money moves through the local economy, including the initial transaction involving our money that is made to any recipient outside of Afghanistan. So I think the technology exists that can get this done, if the will exists to do it.

Corruption must be stamped out. It would be ironic, as well as tragic, if one of the results of American development assistance was to provide the Afghan oligarchy in which the U.S. has invested so much, the means to implement personal exit strategies if things get rough. Most of the Karzai family and its cronies did flee the country the last time the Taliban invaded, and only came back to Afghanistan when protected by U.S. troops.

In contrast, the Northern Alliance fought the Taliban all the way, never quit and were in the vanguard when we fought together to drive the Taliban out after 9/11.

We do not want cowardly allies who will take their ill-gotten gains and "cut and run" rather than stand and defend their country. We need allies who are rooted in the country, not sitting on large foreign bank accounts.

Mr. CARNAHAN. Thank you, Mr. Chairman, and to our witnesses for being with us today. This is an important hearing, and is an important part of continuing the bipartisan tradition of this subcommittee conducting rigorous oversight of U.S. reconstruction efforts in Afghanistan.

Two years ago, as I chaired the committee, we conducted a set of hearings, again bipartisan, on our reconstruction efforts in Iraq and Afghanistan and looked at what lessons the administration should learn in order to reduce the rampant waste, fraud, corruption, and abuse of U.S. taxpayer dollars. We heard from Stuart Bowen, the Special Inspector General for Iraq Reconstruction. He described an adhocracy with blurred chains of command between DoD, State, and USAID. He emphasized the lack of institutional structure and human resources to effectively perform stabilization and reconstruction operations.

For the past several years I have been working on developing legislation to increase accountability, efficiency, and transparency in our overseas contingency operations. And I am sure we will hear from our witnesses today reforms have been implemented and improvements have been made on some fronts, but continuing to make real immeasurable progress in these areas is absolutely essential, especially as our troop levels decrease and Congress is tightening budgets across the government.

No doubt the environment in which USAID, State, and our international partners operate is difficult and complex. But the work they do is critically important to the U.S., is vital to our national security interest, and reflects the moral values of who we are as a country. That is why regular and detailed oversight is required.

Our development programs help build local capacity to invest in the programs that increase the political participation of women, help build the democratic institutions, expand health programs for women and children, and help transition the Afghan economy away from an overreliance on its scarce natural resources.

I would like to commend the work of our diplomats who are working under complicated and sometimes dangerous circumstances. As it is our job to ensure strict accounting of all U.S. taxpayer funds, I commend the chairman, again, for calling this hearing and I look forward to hearing from our witnesses today.

Mr. ROHRABACHER. Thank you very much.

Our first panel will be the Government Accountability Office, the GAO. John Hutton, who will be testifying as a director at the U.S. Government Accountability Office working for the Acquisition and Sources Management Team; in this capacity he provides direct support to congressional committees, and Members on a range of acquisition and sourcing issues. Throughout his 34-year career at the GAO, I remember that you had a full head of hair and it was totally dark hair when you first started there.

Mr. HUTTON. Yes, sir—and mustache.

Mr. ROHRABACHER. But throughout that long 34-year career at the GAO he has worked on a wide range of issues. Prior to his appointment to the Senior Executive Service he lead the GAO's reviews related to such diverse issues as Iraq and Afghanistan reconstruction, U.S. Mexico border infrastructure, U.S. and international efforts to combat AIDS and the promotion of U.S. exports. So you

had all of the easy jobs that were given to you over the years. He holds two master's degrees; one in public administration, Syracuse, Maxwell School; and in one national security strategy from the National War College.

He will be presenting the GAO testimony, but with him to help answer questions, is Charles Michael Johnson Jr., a senior executive with the U.S. Government Accountability Office. Mr. Johnson, is the director responsible for the GAO's portfolio addressing U.S. international counterterrorism and security-related issues. Prior to joining the GAO's international affairs and trade team, Mr. Johnson was assistant director in the GAO's Homeland Security and Justice team. He spent a year detailed to the House of Representatives Homeland Security Committee, between 2005 and 2006, where he worked on border security and immigration issues. Mr. Johnson graduated summa cum laude from the University of Maryland with a degree in business administration.

So Mr. Hutton, you may proceed and then we will go on to a second panel in which Larry Sampler, Senior Deputy Assistant to the Administrator of the Office of Afghanistan and Pakistan Affairs at the U.S. Agency for International Development will be testifying. And you may proceed with what time you may choose to consume, hopefully around 5 to 10 minutes.

STATEMENT OF MR. JOHN HUTTON, DIRECTOR, ACQUISITION AND SOURCING MANAGEMENT, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Mr. HUTTON. Thank you, Mr. Chairman. Chairman Rohrabacher, Ranking Member Carnahan, and members of the subcommittee. Thank you for inviting Mr. Johnson and I to discuss the accountability and oversight of U.S. funds to assist Afghanistan. GAO has issued over 100 reports and testimonies on U.S. efforts, including those managed by USAID, DoD, and State in support of congressional oversight of the nearly \$90 billion appropriated since 2002, to help secure, stabilize, and rebuild Afghanistan. Our work complements that of the Special Inspector General for Afghanistan Reconstruction and the Inspector Generals from DoD, USAID, and State.

Now, drawing on past GAO work, our statement focuses on USAID and our findings in three key areas.

First, our reports have shown that USAID faces systemic challenges that have hindered its management and oversight of contracts and assistance instruments, such as grants, used to carry out development programs and support USAID's mission in Afghanistan. These challenges include gaps in planning for the use of contractors and assistant recipients, and having visibility into their numbers.

Now, while reliable data on contractors and grant recipients are a starting point for ensuring proper management and oversight, we have reported for the last 4 years on USAID's limited visibility into its Afghanistan contracts and grants as well as the personnel working under them.

While USAID, along with State and DoD, agreed in 2008 to use a common database to track statutorily required information on

contracts and associated personnel, we found in September 2011, that the database still does not reliably track such information.

Further, other sources of such information used by USAID have their own limitations. USAID has taken some actions to mitigate risks associated with contracting in Afghanistan. Under its Accountable Assistance for Afghanistan Initiative, USAID began vetting prospective non-U.S. contractors and grant recipients in 2011. Vendor vetting is intended to counter the risk of U.S. funds being diverted to support criminal or insurgent activity.

At the time of our June 2011 report, we recognized that USAID's vetting process was in its early stages and recommended that USAID formalize a risk-based approach to identify and vet the highest-risk vendors. We also made a recommendation to promote interagency collaboration with DoD and State to better ensure that non-U.S. vendors potentially posing a risk are vetted, all of which USAID agreed to do.

Second, we have identified weaknesses in USAID's oversight of program performance. We appreciate that the USAID mission in Afghanistan is overseeing programs in a high-risk security environment and has experienced high staff turnover, both of which hinder oversight. However, USAID has not consistently followed its own performance management and evaluation procedures in Afghanistan, which makes its programs more vulnerable to corruption, waste, fraud, and abuse. While we found in 2010 that implementing partners routinely reported on program's progress, USAID did not always approve the performance indicators being used and did not ensure that targets were established as required. USAID concurred with our recommendations to ensure that programs have such performance indicators and targets and to consistently assess and use program data and evaluations to shape the current and the future programs.

I will now turn to our third key area and that is the accountability for direct assistance. That is funding that is provided either bilaterally to individual Afghan Ministries, or multilaterally to trust funds administered by the World Bank and the U.N. In 2011, we found that USAID did not complete pre-award risk assessments such as determining the awardee's capability to independently manage and account for funds for bilateral direct assistance awards. Similarly, USAID had not consistently complied with its multilateral risk assessment practices. For example, USAID did not conduct a risk assessment before awarding an additional \$1.3 billion to the World Bank's Afghanistan Reconstruction Trust Fund. Such assessments and other internal controls are key to providing reasonable assurances that agency assets are safeguarded against fraud and mismanagement.

Based on our recommendations, USAID updated its policies to require pre-award risk assessments for all bilateral direct assistance awards, and also revised the guidance on pre-award risk assessments for the World Bank and other public international organizations.

In closing, we have made numerous recommendations aimed at improving USAID's management, accountability, and oversight of assistance funds in Afghanistan. USAID has generally agreed and has taken steps to address them. Mr. Chairman, robust manage-

ment and oversight of taxpayer's funds is paramount, particularly in challenging environments like Afghanistan where institutional capacity is weak.

We would be happy to respond to any questions you may have.

Mr. ROHRABACHER. And Mr. Johnson, you are just here to jump in. Did you have something that you would like to just add—or add to that?

**STATEMENT OF MR. CHARLES JOHNSON, JR., DIRECTOR,
INTERNATIONAL AFFAIRS AND TRADE, U.S. GOVERNMENT
ACCOUNTABILITY OFFICE**

Mr. JOHNSON. Basically, what I would like to highlight a little bit more is that the USAID Administrator in 2010 committed to this Congress that it would not award any additional bilateral direct assistance to the Afghan Ministries until pre-award risk assessments were done. We did find some cases, as John pointed out, where after that commitment was made in 2010 that there were additional awards done without that being required.

Recently, we have discovered that there is a new policy put in place to help ensure that that doesn't take place in the future. And just to further elaborate on the World Bank, or the public international organizations issues where the U.S. is relying on these institutions for safeguards and controls, I would have to note that the U.S. has been working with the World Bank in particular to try to enhance U.S. access to certain information. That is a process for which they have ongoing negotiations with the World Bank.

[The prepared statement of Mr. Hutton and Mr. Johnson follows:]

United States Government Accountability Office

GAO

Testimony Before the Subcommittee on
Oversight and Investigations, Committee
on Foreign Affairs, House of
Representatives

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AFGHANISTAN

USAID Oversight of Assistance Funds and Programs

Statement of John P. Hutton, Director
Acquisition and Sourcing Management

Charles Michael Johnson, Jr., Director
International Affairs and Trade



GAO-12-802T



Highlights of GAO-12-802T, a testimony before the Subcommittee on Oversight and Investigations, Committee on Foreign Affairs, House of Representatives

Why GAO Did This Study

Since 2002, the United States has appropriated nearly \$90 billion to help stabilize Afghanistan and build the Afghan government's capacity to provide security, enhance governance, and develop a sustainable economy. To assist Congress in its oversight, GAO has issued over 100 reports and testimonies related to U.S. efforts in Afghanistan, including those managed by USAID and the Departments of Defense and State. USAID provides assistance to Afghanistan through contracts and assistance instruments, such as grants and cooperative agreements, and in the form of direct assistance—funding provided through the Afghan national budget for use by its ministries. Direct assistance is provided (1) bilaterally to individual Afghan ministries or (2) multilaterally through trust funds administered by the World Bank and the United Nations Development Program. This testimony discusses findings from GAO reports issued primarily in 2010 and 2011 that cover USAID's (1) management of contracts and assistance instruments, (2) oversight of development-related program performance and results, and (3) accountability for direct assistance.

What GAO Recommends

GAO is not making new recommendations but has made numerous recommendations aimed at improving USAID's management and oversight of assistance funds in Afghanistan. USAID has generally concurred with most of these recommendations and has taken or planned steps to address them.

View GAO-12-802T. For more information, contact John P. Hutton at (202) 512-4841 or huttonj@gao.gov, or Charles Michael Johnson, Jr. at (202) 512-7331 or johnsoncm@gao.gov.

June 6, 2012

AFGHANISTAN

USAID Oversight of Assistance Funds and Programs

What GAO Found

The U.S. Agency for International Development (USAID) has experienced systemic challenges that have hindered its ability to manage and oversee contracts and assistance instruments in Afghanistan. Key challenges include gaps in planning for the use of contractors and assistance recipients and having visibility into their numbers. For example, GAO reported in April 2010 that, absent strategic planning for its use of contractors, individual offices within USAID often made case-by-case decisions on using contractors to support contract or grant administration and risks, such as possible conflicts of interest, were not always addressed. While having reliable data on contractors and assistance recipients is a starting point for informing agency decisions and ensuring proper management, GAO has also reported on limitations in USAID's visibility into the number and value of contracts and assistance instruments in Afghanistan, as well as the number of personnel working under them. USAID, along with other agencies, has not implemented GAO's recommendation to address such limitations. USAID, however, has taken other actions to mitigate risks associated with awarding contracts and assistance instruments in Afghanistan. In June 2011, GAO reported on USAID's vendor vetting program, then in its early stages, which was designed to counter potential risks of U.S. funds being diverted to support criminal or insurgent activity. GAO recommended that USAID take a more risk-based approach to vet non-U.S. vendors and develop formal mechanisms to share vetting results with other agencies, both of which USAID agreed to do.

GAO has found systematic weaknesses in USAID's oversight and monitoring of project and program performance in Afghanistan. In 2010, GAO reported that USAID did not consistently follow its established performance management and evaluation procedures for Afghanistan agriculture and water sector projects. For example, only two of seven USAID-funded agricultural programs included in GAO's review had targets for all their performance indicators. Moreover, the USAID Mission was operating without a required performance management plan. In addition, GAO reported on a lack of documentation of key programmatic decisions and an insufficient method to transfer knowledge to successors. USAID has taken several actions in response to these findings, such as updating its performance management plan and establishing mandatory guidelines on file maintenance to help ensure knowledge transfer.

USAID has established and generally complied with various financial and other controls in its direct assistance agreements, such as requiring separate bank accounts and maintenance of records subject to audit. However, GAO found in 2011 that USAID had not always assessed the financial risks in providing direct assistance to Afghan government entities before awarding funds. For example, USAID did not complete preaward risk assessments in two of eight cases of bilateral assistance GAO identified. With regard to direct assistance provided multilaterally through the World Bank's Afghanistan Reconstruction Trust Fund (ARTF), GAO found in 2011 that USAID had not consistently complied with its own risk assessment policies, and USAID had not conducted a risk assessment before awarding \$1.3 billion to ARTF in March 2010. In response to GAO reports, USAID revised and expanded its guidance on preaward risk assessments for the World Bank and other public international organizations.

United States Government Accountability Office

Mr. Chairman, Ranking Member Carnahan, and
Members of the Subcommittee:

We are pleased to be here to discuss accountability and oversight of funds provided by the U.S. Agency for International Development (USAID) to assist Afghanistan. Since 2002, the United States has appropriated nearly \$90 billion to help secure, stabilize, and rebuild Afghanistan. To assist Congress in its oversight, we have issued over 100 reports and testimonies related to U.S. efforts in Afghanistan, including those managed by USAID and the Departments of Defense and State.¹ Our reviews have focused on the U.S. strategy for Afghanistan, as well as on specific U.S. efforts that build the Afghan government's capacity to provide security, enhance governance, and develop a sustainable economy.² While drawing on our past work that identified numerous challenges faced by U.S. agencies in Afghanistan, our statement today focuses on USAID, which, among other things, has assisted Afghanistan in the construction of roads, expansion of health and education, and development of water and agricultural sectors. Specifically, we will discuss findings from reports that cover USAID's (1) management of contracts and assistance instruments, such as grants and cooperative agreements; (2) oversight of development-related program performance and results; and (3) accountability for direct assistance—funding provided through the Afghanistan national budget for use by its ministries.

Detailed information on the scope and methodology for our prior work can be found in the reports we have cited throughout this statement. We conducted the underlying performance audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audits to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and

¹See the publicly released GAO reports and testimonies on Afghanistan listed and linked here: <http://www.gao.gov/docsearch/featured/afghanistan.html>.

²For example, GAO, *The Strategic Framework for U.S. Efforts in Afghanistan*, GAO-10-656R (Washington, D.C.: June 15, 2010); *Afghanistan Security: Department of Defense Effort to Train Afghan Police Relies on Contractor Personnel to Fill Skill and Resource Gaps*, GAO-12-293R (Washington, DC: Feb. 23, 2012); *Afghanistan Governance: Performance-Data Gaps Hinder Overall Assessment of U.S. Efforts to Build Financial Management Capacity*, GAO-11-907 (Washington, D.C.: Sept. 20, 2011); and *Afghanistan's Donor Dependence*, GAO-11-948R (Washington, D.C.: Sept. 20, 2011).

conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our statement today.

USAID assists Afghanistan through the issuance of contracts and assistance instruments and also by providing direct assistance. Contracts and assistance instruments are awarded to USAID's implementing partners, who in turn carry out development programs and otherwise support USAID's mission in Afghanistan. For fiscal year 2011, USAID reported that it obligated \$2.9 billion on contracts and had assistance instruments with a value of \$705.9 million with performance in Afghanistan. In contrast, direct assistance is provided through the Afghan budget either (1) bilaterally to individual Afghan ministries or (2) multilaterally through trust funds administered by the World Bank and the United Nations Development Program. In 2010, international donors agreed to increase the portion of their development aid that is delivered through the Afghan government if the Afghan government showed progress in reducing corruption and strengthening its public financial management systems. Following that agreement, the United States shifted more funding toward direct assistance, more than tripling such awards—from \$665 million in fiscal year 2009 to \$2 billion in fiscal year 2010. USAID was the largest contributor of that direct assistance, with its awards growing from \$470 million in fiscal year 2009 to more than \$1.4 billion in fiscal year 2010, largely through the Afghanistan Reconstruction Trust Fund (ARTF) administered by the World Bank. In 2012, USAID reaffirmed its commitment to increase the amount of development assistance provided through the Afghan budget.

USAID Faces Challenges in Managing Contracts and Assistance Instruments

In carrying out its Afghan assistance efforts, USAID has experienced a number of systemic challenges that have hindered its ability to manage and oversee contracts and assistance instruments, such as grants and cooperative agreements. These challenges include gaps in planning for the use of contractors and assistance recipients and having visibility into their numbers. While this statement focuses on the challenges confronting USAID in Afghanistan, our work involving the Departments of Defense and State has found similar issues not only in Afghanistan but also in other countries, such as Iraq. The need for visibility into contracts and assistance instruments to inform decisions and perform oversight is critical, regardless of the agency or the country, as each agency relies extensively on contractors and assistance recipients to support and carry out its respective missions. While USAID has faced challenges, it has also taken actions to help mitigate some of the risks associated with awarding contracts and assistance instruments in Afghanistan. Most

notably, through its vendor vetting program, USAID seeks to counter potential risks of U.S. funds being diverted to support criminal or insurgent activity.

Our work has identified gaps in USAID's planning efforts related to the role and extent of reliance on contractors and grantees. For example, we reported in April 2010 that USAID's workforce planning efforts, including its human capital and workforce plans, do not address the extent to which certain types of contractors working outside the United States should be used.³ We further reported in June 2010 that USAID's workforce plan for fiscal years 2009 through 2013 had a number of deficiencies, such as lacking supporting analyses that covered the agency's entire workforce, including contractors, and not containing a full assessment of the agency's workforce needs, including identifying existing workforce gaps and staffing levels required to meet program needs and goals.⁴ Such findings are not new. We noted, for example, in our 2004 and 2005 reviews of Afghanistan reconstruction efforts, when USAID developed its interim development assistance strategy, it did not incorporate information on the contractor and grantee resources required to implement the strategy. We determined that this hindered USAID's ability to make informed decisions on resource allocations for the strategy.⁵ Further, as mentioned earlier, such findings have not been unique to USAID. For example, in our April 2010 report, we noted that the Department of State's workforce plan generally does not address the extent to which contractors should be used to perform specific functions, such as contract and grant administration.

In the absence of strategic planning for its use of contractors, we found that it was often individual offices within USAID that made case-by-case decisions on the use of contractors to support contract or grant

³GAO, *Contingency Contracting: Improvements Needed in Management of Contractors Supporting Contract and Grant Administration in Iraq and Afghanistan*, GAO-10-357 (Washington, D.C.: Apr. 12, 2010).

⁴GAO, *Foreign Assistance: USAID Needs to Improve Its Strategic Planning to Address Current and Future Workforce Needs*, GAO-10-496 (Washington, D.C.: June 30, 2010).

⁵GAO, *Afghanistan Reconstruction: Deteriorating Security and Limited Resources Have Impeded Progress; Improvements in U.S. Strategy Needed*, GAO-04-403 (Washington, D.C.: June 2, 2004) and *Afghanistan Reconstruction: Despite Some Progress, Deteriorating Security and Other Obstacles Continue to Threaten Achievement of U.S. Goals*, GAO-05-742 (Washington, D.C.: July 28, 2005).

administration functions. In our April 2010 report, we noted that USAID used contractors to help administer its contracts and grants in Afghanistan, in part to address frequent rotations of government personnel, as well as security and logistical concerns. Functions performed by these contractors included on-site monitoring of other contractors' activities and awarding and administering grants. The Departments of Defense and State have also relied on contractors to perform similar functions in both Afghanistan and Iraq. While relying on contractors to perform such functions can provide benefits, we found that USAID did not always fully address related risks. For example, USAID did not always include a contract clause required by agency policy to address potential conflicts of interest, and USAID contracting officials generally did not ensure enhanced oversight in accordance with federal regulations for situations in which contractors provided services that closely supported inherently governmental functions.

Over the last four years, we have reported on limitations in USAID's visibility into the number and value of contracts and assistance instruments with performance in Afghanistan, as well as the number of personnel working under those contracts and assistance instruments. Having reliable, meaningful data on contractors and assistance recipients is a starting point for informing agency decisions and ensuring proper management and oversight. In 2008, in response to congressional direction, USAID along with the Departments of Defense and State designated the Synchronized Predeployment and Operational Tracker (SPOT) database as their system of record to track statutorily required information on contracts and contractor personnel working in either Iraq or Afghanistan, a designation which the agencies reaffirmed when the requirement was expanded to include assistance instruments and associated personnel.⁶ However, we found that as of September 2011, SPOT still did not reliably track this information.⁷ As a result, USAID relied on other data sources, which had their own limitations, to prepare a 2011 report to Congress. Specifically, we found USAID's reporting to be incomplete, particularly in the case of personnel numbers that were based on unreliable data. For example, for the number of contractor and

⁶Pub. L. No. 111-84, § 813 (amending Pub. L. No. 110-181, § 884).

⁷GAO, *Iraq and Afghanistan: DOD, State, and USAID Cannot Fully Account for Contracts, Assistance Instruments, and Associated Personnel*, GAO-11-886 (Washington, D.C.: Sept. 15, 2011).

assistance personnel in Afghanistan, USAID developed estimates that, according to a USAID official, were based in part on reports submitted by only about 70 percent of its contractors and assistance recipients.⁸ Further, USAID acknowledged that it had limited ability to verify the accuracy or completeness of the data that were reported. Similarly, we found that the Department of Defense underreported the value of its contracts in Iraq and Afghanistan by at least \$3.9 billion, while the Department of State did not report statutorily required information on assistance instruments and the number of personnel working on them in either country.

Given the repeated limitations we have found in SPOT and the ability of USAID, Defense, and State to provide statutorily required information, we recommended in 2009 and then subsequently reiterated that the three agencies develop a joint plan with associated time frames to address limitations and ensure SPOT's implementation to fulfill statutory requirements.⁹ In response to our 2009 recommendation, USAID did not address the recommendation, while the Departments of Defense and State cited on-going interagency coordination efforts as sufficient. However, we concluded that based on our findings, coordination alone is not sufficient and have continued to call for the agencies to develop a plan. We have recently begun reviewing the three agencies' April 2012 report to Congress on their contracts, assistance instruments, and associated personnel in Iraq and Afghanistan and the actions they are taking to improve their database.

In addition to our work on these matters, the congressionally established Commission on Wartime Contracting in Iraq and Afghanistan examined waste, fraud, abuse, accountability, and other issues in contingency contracting. In its final report, which was issued in August 2011, the Commission made a number of recommendations, several of which were directed toward USAID as well as the Departments of Defense and State.⁹ Recommendations include those related to using risk factors to decide what functions are appropriate to contract for in contingency

⁸GAO, *Contingency Contracting: DOD, State, and USAID Continue to Face Challenges in Tracking Contractor Personnel and Contracts in Iraq and Afghanistan*, GAO-10-1 (Washington, D.C.: Oct. 1, 2009).

⁹Commission on Wartime Contracting in Iraq and Afghanistan, *Transforming Wartime Contracting: Controlling Costs, Reducing Risks* (Arlington, Va.: Aug. 2011).

settings, ensuring the government can provide sufficient acquisition management and contractor oversight, and taking actions to mitigate the threat of additional waste due to a lack of sustainment by host governments. We are currently reviewing what actions USAID and the Departments of Defense and State are taking to address the Commission's recommendations.

In response to continued congressional attention and their own concerns about actual and perceived corruption and its impact on U.S. and international activities in Afghanistan, U.S. government agencies have established efforts to identify malign actors, encourage transparency, and prevent corruption. Under the auspices of its Accountable Assistance for Afghanistan initiative, USAID is seeking to address some of the challenges associated with providing assistance in Afghanistan. One element of the initiative is the vendor vetting program. In January 2011, in order to counter potential risks of U.S. funds being diverted to support criminal or insurgent activity, USAID created a process for vetting prospective non-U.S. contractors and assistance recipients (i.e., implementing partners) in Afghanistan. This process is similar to the one USAID has used in the West Bank and Gaza since 2006. USAID's process in Afghanistan was formalized in a May 2011 mission order, which established a vetting threshold of \$150,000 and identified other risk factors, such as project location and type of contract or service being performed by the non-U.S. vendor or recipient. The mission order also established an Afghanistan Counter-Terrorism Team that can review and adjust the risk factors as needed.

At the time our June 2011 report on vetting efforts was issued, USAID officials said that the agency's vendor vetting process was still in the early stages, and that it would be an iterative implementation process, some aspects of which could change—such as the vetting threshold and the expansion of vetting to other non-U.S. partners.¹⁰ We recommended that USAID consider formalizing a risk-based approach that would enable it to identify and vet the highest-risk vendors and partners, including those with contracts below the \$150,000 threshold. We also made a recommendation to promote interagency collaboration to better ensure that non-U.S. vendors potentially posing a risk are vetted. Specifically, we

¹⁰GAO, *Afghanistan: U.S. Efforts to Vet Non-U.S. Vendors Need Improvement*, GAO-11-355 (Washington, D.C.: June 8, 2011).

recommended that USAID, the Department of Defense (which had a vendor vetting program), and the Department of State (which did not have a vendor vetting program comparable to USAID's or Defense's) should consider developing formalized procedures, such as an interagency agreement, to ensure the continuity of communication of vetting results and to support intelligence information, so that other contracting activities may be informed by those results. USAID concurred with our recommendations and noted that the agency had already begun to implement corrective measures to ensure conformity with our recommendations and adherence to various statutes, regulations, and executive orders pertaining to terrorism. Specifically, under the May 2011 mission order, the Afghanistan Counter-Terrorism Team is to work to establish an interagency decision-making body in Afghanistan to adjudicate vetting results, establish reporting metrics for USAID's vetting process, and work with the vetting unit to modify as needed the criteria used to establish risk-based indicators for vetting.

USAID Has Taken Some Action to Strengthen Oversight of Program Performance

We have previously reported on systematic weaknesses in USAID's oversight and monitoring of the performance of projects and programs carried out by its implementing partners in Afghanistan. In 2010, we reported that USAID did not consistently follow its established performance management and evaluation procedures with regard to its agriculture and water sector projects in Afghanistan.¹¹ There were various areas in which the USAID Mission to Afghanistan needed to improve. We found that the Mission had been operating without an approved Performance Management Plan to guide its oversight efforts after 2008. In addition, while implementing partners had routinely reported on the progress of USAID's programs, we found that USAID did not always approve the performance indicators these partners were using and did not ensure, as its procedures require, that implementing partners establish targets for each performance indicator. For example, only two of seven USAID-funded agricultural programs that were active during fiscal year 2009 and included in our review had targets for all of their indicators. Within the water sector, we found that USAID collected quarterly progress

¹¹ GAO, *Afghanistan Development: Enhancements to Performance Management and Evaluation Efforts Could Improve USAID's Agricultural Programs*, GAO-10-368 (Washington, D.C.: July 14, 2010) and *Afghanistan Development: U.S. Efforts to Support Afghan Water Sector Increasing, but Improvements Needed in Planning and Coordination*, GAO-11-138 (Washington, D.C.: Nov. 15, 2010).

reports from five of the six water project implementers for the projects we reviewed, but it did not analyze and interpret this information as required. We also found that USAID could improve its assessment and use of performance data submitted by implementing partners or program evaluations to, among other things, help identify strengths or weaknesses of ongoing or completed programs.

In addition, USAID officials face a high risk security environment and the USAID Mission to Afghanistan has experienced high staff turnover, which hinder program oversight. For example, in July 2010, we reported that the lack of a secure environment has challenged the ability of USAID officials to monitor construction and development efforts.¹² Also, USAID personnel are assigned 1-year assignments with an option to extend assignments for an additional year—which USAID acknowledged hampered program design and implementation. The Department of State's Office of the Inspector General noted in its 2010 inspection of the entire embassy and its staff, including USAID, that 1-year assignments coupled with multiple rest-and-recuperation breaks limited the development of expertise and contributed to a lack of continuity.¹³ We also found that a lack of documentation of key programmatic decisions and an insufficient method to transfer knowledge to successors had contributed to the loss of institutional knowledge—a challenge that we reported USAID should address.

In the absence of consistent application of its existing performance management and evaluation procedures and the lack of mechanisms for knowledge transfer, USAID programs are more vulnerable to corruption, waste, fraud, and abuse. In 2010, we recommended, among other things, that the Administrator of USAID take steps to (1) address preservation of institutional knowledge, (2) ensure programs have performance indicators and targets, and (3) consistently assess and use program data and evaluations to shape current programs and inform future programs.

¹²GAO-10-368.

¹³United States Department of State and the Broadcasting Board of Governors Office of Inspector General, *Report of Inspection: Embassy Kabul, Afghanistan*, Report Number ISF-4-10-32A (Washington, D.C.: Feb. 2010).

USAID concurred with these recommendations and identified several actions the agency is taking in Afghanistan to address them, including the following:

- In 2011, USAID established mandatory technical guidance for program monitoring officials on how to establish and where to maintain files, in addition to key responsibilities of the office director to ensure that files are maintained before officials leave their positions.
- In 2010, USAID approved a new performance management plan for its agriculture programs and worked with its implementing partners to align their existing indicators with those in the new plan.
- In 2011, USAID delegated more authority to field program officers to serve as activity managers of agriculture programs, making them responsible for conducting regular project monitoring and reporting on program performance, verifying data reported by implementing partners, and assuring the quality of data being reported through regular site visits. In addition, USAID has taken steps to increase the use of third-party monitoring to ensure data integrity and quality.

USAID Has Taken Some Action to Improve Accountability of Direct Assistance

Risk assessments and internal controls to mitigate identified risks are key elements of an internal control framework to provide reasonable assurance that agency assets are safeguarded against fraud, waste, abuse, and mismanagement. Although USAID conducted preaward risk assessments for most of its bilateral direct assistance to the Afghan government, we found that USAID's policies did not require preaward risk assessments in all cases. For example, we reported in 2011 that USAID did not complete preaward risk assessments, such as determining the awardees' capability to independently manage and account for funds, in two of the eight cases of bilateral direct assistance.¹⁴ USAID made those two awards after the USAID Administrator had committed to Congress in July 2010 that USAID would not proceed with direct assistance to an Afghan ministry before it had assessed the institution's capabilities. We recommended that USAID update its risk assessment policies to reflect the USAID Administrator's commitment to Congress. USAID has since

¹⁴GAO, *Afghanistan: Actions Needed to Improve Accountability of U.S. Assistance to Afghan Government*, GAO-11-710 (Washington, D.C.: July 20, 2011).

updated its policies to require preaward risk assessments for all bilateral direct assistance awards, periodic reassessment, and risk mitigation measures, as appropriate. Since October 2011, USAID has awarded \$35 million in direct assistance funds to two Afghan ministries and, in compliance with its updated policies, completed risk assessments prior to awarding the funds in both cases.

We also found that USAID established general financial and other controls in its bilateral direct assistance agreements with Afghan ministries, including requiring that the ministries:

- establish separate noncommingled bank accounts,
- grant USAID access rights to the bank accounts,
- have a monitoring and evaluation plan,
- comply with periodic reporting requirements, and
- maintain books and records subject to audit.

In addition to these general financial controls, USAID is required to establish additional monitoring and approval controls in its direct bilateral assistance agreements that provide USAID funds to Afghan ministries to contract for goods and services.¹⁵ USAID had agreements with two Afghan ministries that allowed them to contract out. However, we previously found that USAID did not always document its approval of these ministries' procurements prior to contract execution. We recommended that USAID ensure compliance with the monitoring and approval requirements. We are now following up with USAID to ensure it is implementing our recommendation.

With respect to direct assistance provided multilaterally through public international organizations such as the World Bank, USAID's policy is to generally rely on the organization's financial management, procurement, and audit policies and procedures. We found, however, that USAID has not consistently complied with its multilateral trust fund risk assessment

¹⁵These agreements provide funds to Afghan ministries to enter into contracts for goods and services and require USAID to monitor and approve certain steps of the procurement process for contracts over \$250,000, as appropriate.

policies in awarding funds to the World Bank's ARTF. For example, in 2011, we reported that USAID did not conduct a risk assessment before awarding an additional \$1.3 billion to the World Bank for ARTF.¹⁶ We also found that USAID did not conduct preaward determinations for 16 of 21 modifications to the original World Bank grant agreement. In response to our findings and a prior GAO report, USAID revised and expanded its guidance on preaward risk assessments for the World Bank and other public international organizations.¹⁷ Under the revised guidance, USAID is required to determine the World Bank's level of responsibility through consideration of several factors, including the quality of the World Bank's past performance and its most recent audited financial statements.

The World Bank has established financial controls over donor contributions to the ARTF. For example, the World Bank hired a monitoring agent responsible for monitoring the eligibility of salaries and other recurrent expenditures that the Afghan government submits for reimbursement against ARTF criteria. The World Bank also reports that it assesses projects semi-annually as part of regular World Bank supervision in accordance with its policies, procedures and guidelines based in part on project visits. However, we found examples that the financial controls established by the World Bank over the ARTF face several challenges:

- The World Bank and international donors have expressed concern over the level of ineligible expenditures submitted by the Afghan government for reimbursement. While ineligible expenditures are not reimbursed, the bank considers the level of ineligible expenditures to be an indicator of weaknesses in the Afghan government's ability to meet agreed-upon procurement and financial management standards.
- Afghanistan's Control and Audit Office conducts audits of Afghan government programs, including those funded by the ARTF, but lacked qualified auditors and faced other capacity restraints, according to the Special Inspector General for Afghanistan Reconstruction and USAID. As a result, the office used international

¹⁶GAO-11-710.

¹⁷GAO, *UN Office for Project Services: Management Reforms Proceeding but Effectiveness Not Assessed and USAID's Oversight of Grants Has Weaknesses*, GAO-10-166 (Washington, D.C.: Nov. 19, 2009).

advisers and contracted auditors, funded by the World Bank, to help ensure that its audits of ARTF complied with international auditing standards.

- Security conditions prevented Afghanistan's Control and Audit Office auditors from visiting most of the provinces where ARTF funds were being spent. The office was able to conduct audit tests in 10 of Afghanistan's 34 provinces from March 2009 to March 2010 and issued a qualified opinion of the financial statements of ARTF's salary and other recurrent expenditures.

Mr. Chairman, Ranking Member Carnahan, and Members of the Subcommittee, this concludes our statement. We would be happy to answer any questions you may have at this time.

Contacts and Acknowledgments

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Mr. ROHRABACHER. Okay. Let me, it is very frustrating to think that we are, you know, talking about people, we are saying we made these commitments back in 2010, but 2010 was years after we had been involved in Afghanistan. How much aid has the United States given Afghanistan since the liberation of Afghanistan from the Taliban?

Mr. JOHNSON. Well, I guess I will take that question. I think our estimate is that it is close to \$90 billion, and that does not include the cost of the U.S. troops, which is an enormous cost on top of that.

Mr. ROHRABACHER. Right. So \$90 billion in actual foreign aid, or American aid, not American military aid, but sort of, we are talking about, you know, economic.

Mr. JOHNSON. Well, that aid would focus on security, government and development-related projects. So it would be a significant amount that is actually paying for the Afghan security forces, the Afghan Army and police, a significant amount.

Mr. ROHRABACHER. Okay. How much did we give them that is nonmilitary oriented? I mean, it is one thing to understand that we had to give so much and so many AK-47s that we had to buy from somebody and give it to some military units there, but what—how much have we given the development assistance, and what we would consider to be humanitarian, and civilian aid?

Mr. JOHNSON. Okay, the best estimate I can come up with, given work we have done that has looked at the Afghan security forces funds has been about \$43 billion, roughly, recently. So I would estimate roughly close to \$46 billion or \$47 billion in terms of aid that has gone there. But we have reported—we did a report looking at the Afghan Government reliance on donors for money, which as we know, the Afghan Government cannot afford to sustain itself in some of the projects that we are putting in place to which the U.S. has been the largest contributor.

Mr. ROHRABACHER. Right. I am looking for a figure. How much in civilian aid have we given Afghanistan since the liberation from the Taliban?

Mr. JOHNSON. My estimate for—would be—

Mr. ROHRABACHER. Nonmilitary aid.

Mr. JOHNSON. Nonmilitary, nonsecurity assistance in terms of expenditure numbers, that is the best number I have, would be roughly somewhere in the ballpark of \$12–15 billion. Expenditures is what I am saying, where money has actually been disbursed and hit the ground. There is money in the pipeline, obviously, but in terms of disbursements—

Mr. ROHRABACHER. Right. So you are saying that we have actually—and that is over this last 10-year period, basically.

Mr. JOHNSON. Well, my numbers go from 2006 to 2010, but basically, that is where the surge has taken place. In the earlier years the numbers were much smaller. So my range would be somewhere in the range of \$12–15 billion, is the range I can give you. We can go back and give you the number going back to 2002, but since 2006 up through 2010, the expenditure numbers show roughly about \$12 billion.

Mr. ROHRABACHER. Since 2006.

Mr. JOHNSON. Right.

Mr. ROHRABACHER. But how many years have we been in Afghanistan before 2006?

Mr. JOHNSON. We have been there since 2002. A lot of the money early on was security-related money. The data in the reports that we recently noted, the U.S. has paid for 90 percent of the security. We probably pay roughly about 36 or 37 percent of the nonsecurity. So the donor international community actually has contributed more in terms of expenditure in the nonsecurity area than the U.S. There has been a shift in that area.

Mr. ROHRABACHER. Okay, I am going to go—am I off base by saying that when we take a look at what we have spent in the civilian sector in terms of not, you know, not arming people, not the security, but the civilian sector aid since the Taliban was kicked out of the country—and that is long before 2006—would I say, would \$20 billion be sort of in the right range?

Mr. JOHNSON. It depends on if you are talking funds allocated versus obligated or disbursed. They are different numbers there. What I gave you was disbursement numbers, meaning funds that have hit the ground. The number would go up closer to \$45 billion if you are talking about money that has been either awarded or allotted toward nonsecurity related stuff in Afghanistan.

Mr. ROHRABACHER. \$45 billion? All right. Your staff just gave you a little help there.

Mr. JOHNSON. Staff just gave me a new number. Thank you.

Mr. ROHRABACHER. What is the figure we are looking at now?

Mr. JOHNSON. This is allocation of funds for reconstruction from 2002 to 2010, and basically the numbers are roughly about \$22 billion in non-DoD funds.

Mr. ROHRABACHER. Right. Okay.

Mr. JOHNSON. But that is allotments, with money that is in the pipeline yet to be disbursed.

Mr. ROHRABACHER. I am getting a lot of figures here, and—

Mr. JOHNSON. Yeah, well, we will actually go back and give you precise figures. Again, this is 2002 to 2010.

Mr. ROHRABACHER. I would just like to know the number between when the Taliban were driven out and now, and how much we pumped into the nonmilitary effort in Afghanistan. When I ask about the GAO to give me any data that they had on how much of those billions of dollars that we spent ended up in the pockets of the Karzai family, we were told that is impossible to do. It is impossible to know how much the Karzai family profited from those tens of billions of dollars that we have spent there to help build up their economy and the well-being of their people.

How basically—I mean, we don't know where the money has gone then?

Mr. HUTTON. Mr. Chairman, you outlined some of the challenges that we saw and there is additional challenges in terms of how you determine how much money went where.

Mr. ROHRABACHER. Uh-huh.

Mr. HUTTON. You hit some of the key ones about the difficulties and just knowing, once you make an award to a prime, then how the money flows down, and it could be several tiers and things like that. One of the bigger challenges, though, is just trying to identify who is the firm's owner, or who is benefiting from a firm's award.

And that is difficult because, first of all, even in the United States, it is very difficult to be able to determine who is actually benefiting from an award. Not all companies have their information public. But in the Afghan context, it is important to note that SIGAR had done some work that showed that all firms that are operating in Afghanistan have to be licensed by the Afghan Government. Now, while there is data on the Afghan Government side, SIGAR had tried to do some work, and they saw challenges in even determining whether that data are reliable. They also identified issues that once an award was made, ownerships may change over time, and being able to consistently track that over time is very challenging.

Mr. ROHRABACHER. In a younger life, you know, when I was—I was probably—I was a totally different person when I was 19; but when I was 19, I found myself in the central highlands of Vietnam, and I was not in the military, but we were doing some special projects there.

And then I was supposed to go down to a town on the coast and meet up with some doctors to tell me about corruption. And I will never forget that, because the doctors at the end of this—I am 19 years old, and he has got these doctors who are crying, I mean literally, men who are crying that we are going to lose this war because of the corruption level in Vietnam. And they took me out to show me the hospitals that had been set up to win the hearts and minds of the Afghan—of the Vietnamese people, and they had been looted, and they had been looted by our Vietnamese allies and perhaps even some American people who were there supposedly to help.

I will never forget that because at the same time these guys—there was a lot of people who were—these guys were aiding and treating the men who were coming right out of the combat zone, and here they were, understanding that all of this blood, and this horrible price that was being paid by Americans, but yet we have so much corruption, they did not see how the Vietnamese people could respect us. Because if they could see it, the Vietnamese people could see it, and why couldn't our Government see it?

And you know what? I don't think we ever did crack down on that. And I think that was one of the factors that put us in a situation that when we left, we left in disgrace in Vietnam. I would hope that that is not what we do in Afghanistan, but it appears that we have had this same type of attitude.

And, you know what I am hearing right now is that we really haven't had an accounting system to make sure that what we are putting into this country to help improve the lives of the people, whether or not that money has been looted to a great degree or not. Am I mistaken here from what I am hearing from you? I mean, it sounds like there hasn't been a real attempt at serious accounting at this.

Mr. HUTTON. Mr. Chairman, it is interesting that when you think about what normally is expected to be put in place, first of all, you have things like the Federal Acquisition Regulations. That is a pretty sound framework. It has a lot of different things in there that contracting officers can use to protect the taxpayer's interest when they are awarding a contract, for example. But what

our work has shown over time is that, whether you are talking about in that environment DoD's contracting, State, or USAID, they all face similar challenges. And the challenges really center on three pieces: The need for clearly defined requirements of what you are trying to accomplish. If you can't clearly define those requirements, you are starting off on a very bad foot.

Second, you have to have the sound business arrangements that is going to increase, you know; that if you have sound business arrangements you are going to help, again, better protect the taxpayer. What that means is using the right contracting vehicles; writing them in such a way with the certain clauses that are already in the Federal Acquisition Regs. They are going to help protect the taxpayer's interests. But most importantly, sir, is the lack of trained personnel in both numbers and experience to oversee and monitor the performance. That is key.

So when you think about it from the start, there is already processes that allow you to set the footing correctly. But our work has shown, whether again, we are talking about any of the main agencies in those environments, a lot of these problems we are seeing are emblematic across all of their—

Mr. ROHRABACHER. Well, let me give you an example. It was reported in the London Telegraph yesterday, that the Taliban insurgents who were responsible for IED attacks that killed several American paratroopers, that these Taliban insurgents were actually released from jail by officials in the—is it Konzi Province—and that they would release these Taliban after bribes were paid to these provincial officials. When that happens, okay, let's say we have that happening. Do we cut off aid to those people? Do those people still receive aid who have then—who have released people who have been murdering our troops?

[The article referred to follows:]

London Daily Telegraph, June 5, 2012, By Ben Farmer

Captured Taliban Bombers Freed After Paying Bribes, Say Americans

Taliban bomb-makers and leaders caught red-handed trying to kill American troops in Afghanistan have been freed without trial after paying off corrupt local officials, officers complain.

American officers in Ghazni province say in several cases they have been powerless to prevent the release of insurgents despite strong evidence that they were attacking the US-led Nato forces.

The men were released not as part of the judicial process, or as part of a formal reconciliation deal, but after corrupt officials had taken bribes worth thousands of pounds. A former Afghan intelligence chief from the eastern province confirmed to The Daily Telegraph that the practice had been rife for some time.

Paratroopers from the 82nd Airborne Division have been sent to southern Ghazni this summer with just months to try to stabilise security and bolster the Afghan forces before pulling out.

The Taliban has had free run of the area in recent years, installing its own shadow administration and attacking military convoys using the highway running through Ghazni between Kabul and Kandahar.

Since the arrival of US soldiers, seven paratroopers have been killed, mainly when their vehicles have been hit by huge home-made bombs dug into roads. Attacks have dropped recently as large caches of arms and ammunition and tons of fertiliser-based explosives have been seized, with many prisoners taken.

American policemen and federal agents attached as advisers to the paratroopers have been able to use forensic and biometric techniques to strengthen the cases against those caught.

But the evidence has been ignored by officials intent on lining their own pockets by releasing prisoners. "We are talking about people who may have American blood on their hands," complained one officer.

In one example, an insurgent caught in Muqur district on March 31 with eight home-made bombs was released two weeks later after never facing trial.

Of 20 prisoners taken in Muqur district since the 82nd Airborne arrived, it is unclear how many are still in custody.

When confronted, Afghan officials have said the men were wrongly held, or had sworn their innocence on the Koran. In at least one case, American officials later found that sums of up to 600,000 Pakistani rupees (£4,200) had changed hands to gain the release of the prisoners.

Mohammad Aref Shah Jahan, who was until last year head of the Afghan intelligence service in Ghazni, said there was a long-standing financial trade in prisoners.

"They are releasing the real Taliban and keeping people who are nothing," he said.

Musa Khan Akbarzada, the governor of Ghazni, denied any knowledge of corruption and said all captives taken in Ghazni must go before court.

Mr. HUTTON. Sir, that is a very difficult question for me to respond to. That is really policy. What we try to focus on are the institutions, the agencies that are spending hard-earned taxpayer funds, whether it is in environments we are talking about, here that they are best equipped to understand what they are trying to accomplish, understand the risks involved, ensuring they have a proper framework in place, and then executing. Execution is often the issue.

Mr. ROHRABACHER. Yeah.

Mr. HUTTON. We are not executing these contracts and grants as well as we could. And that presents the risks overall.

Mr. ROHRABACHER. Well, there is a lot of—so are you telling us that you are satisfied that the money that we are providing in aid to uplift the Afghan people, that it is actually getting down to them, and not being pilfered away?

Mr. HUTTON. Sir, what I am saying is that when you look at the whole body of work, I mentioned at the outset we have done over 100 reports and testimonies across, again, the main three agencies. But what you see in many cases are similar problems where we are executing these awards and we don't know if we are getting the good outcomes that we set out to do, because we don't have the good monitoring and oversight.

Mr. ROHRABACHER. Well, the answer is yes. You are not certain then. You don't feel confident that the money is coming down to it. And let me just suggest, the American people are war-weary. They are war-weary of Afghanistan. We ended up spending all of these years in Iraq, and now we have a government in Iraq that seems to be anti-American, and more pro-Mullah than pro-American, and certainly they are ungrateful for all of the blood and treasure, trillion dollars that we spent in Iraq.

I happen to know the Afghan people, and I know that there is among a large segment of Afghan people, a great deal of not only respect, but a gratitude and a love in their hearts for the American people. I have been there with them. I have been in their villages and fought with them. And what we have here is not shame on the Afghan people. I think—I feel, I personally resent that the Iraqi people do not—are not grateful to us for relieving them of the oppression of Saddam Hussein. But I don't think that—I am not disappointed in the Afghan people at all. I think that basically if we have a system that still functions and permits people such leeway as we have just been mentioning, shame on us, not shame on them.

And Mr. Carnahan, you may proceed.

Mr. CARNAHAN. Thank you, Mr. Chairman. I want to start with a question about the agricultural development teams that have been deployed across Afghanistan. Our Missouri National Guard have been one of those entities that have been deployed. They have been in the Nangarhar Province, and we have heard some good success stories about what they have been able to do on the ground. And I wanted to ask specifically about how we can sustain and build upon the success of stories that we have heard about those agricultural development teams and your assessment of their work.

Mr. JOHNSON. We did some work recently, the last 2 years, on the agricultural sector in Afghanistan as part of our counter-

narcotics focus. And I would concur with your point that there has been a renewed focus on the ag sector in particular. Former SRAP Holbrooke placed that emphasis on more building up the agricultural sector in Afghanistan. And as part of that it was to elevate the civilian presence, the expertise of USDA and others as a part of the PRT teams that were going out. Prior to that we didn't have the right type of resources or that whole confidence of approach to deal with the ag sector.

And so I would say that report in July 2010 does talk about that and notes the fact that the U.S. has made some progress in the alternative development sector of building the ag and the water irrigation sector as well. And more recently, some work we did this February 2012, we looked at the civilian surge, the civilian presence in Afghanistan. And a part of those findings also talked about how the civilian part will be parallel to the military leadership to make certain that things like agriculture were going to be a priority and that you have the experts there on the ground in the different districts and provinces carrying out those functions.

Mr. CARNAHAN. Thank you. The other area that I wanted to get into was Afghan National Police training. There is certainly wide agreement and recognition that the fundamental element of the future stability of Afghanistan, your report certainly addresses the critical nature of that. We have had increased funding toward those efforts, yet the Department of Defense has not assessed the effectiveness of civil policing activities, and State has yet to conduct an evaluation of its program in Iraq.

Can you talk about that lack of evaluation and even being able to measure how effective that is, and to get beyond just the quantity of the police that we are training to the quality of that training?

Mr. JOHNSON. Well, one of the issues I can tackle in an open setting is the Iraq piece on evaluation. That is part of our censored but unclassified product. But on the civilian police issue in Afghanistan, in particular we do note, you know, DoD has done those assessments. They have contracted out in that area. In terms of doing more in terms of civil order policing, they have committed in their recent reports to the Congress that they would focus more attention on civil-order policing as opposed to sort of the paramilitary-type police training and the capability of these police to take on paramilitary type things. I think DoD is shifting some of that focus toward more civil-order policing in terms of assessments in that area.

So you are correct that there were some deficiencies in that area, but DoD has noted those deficiencies and has agreed to take steps to correct them.

Mr. CARNAHAN. And was that entirely being done by contractors?

Mr. JOHNSON. It is a combination of using contractors such as DynCorp, and the U.S. military, along with our international partners, and doing those sort of things. Right now it is a concerted effort involving the contractors and folks who may be embedded with the police in the communities.

Mr. CARNAHAN. So what is your assessment of—has there been adequate assessment now or is that yet to be done?

Mr. JOHNSON. We are hoping that is going to be forthcoming in the next Department of Defense report that is required to be provided to the Congress. There is an annual report that they do. I think it is called a Section 1230 report that they are required to provide to the Congress, and we are anticipating that the forthcoming report should include that information. That was basically their response back to the issue that we raised in our recently issued Global Foreign Police Training Report.

Mr. CARNAHAN. And what is the date of that report?

Mr. JOHNSON. The Global Foreign Police Training Report was issued about a month ago, I believe. I think it was, if I am not mistaken, sometime in March. And we can make sure you get a copy. We will send a copy up.

Mr. CARNAHAN. And the next report you referenced is due when?

Mr. JOHNSON. The next report for DoD should be sometime in—I think they just issued one in June. Should be the end of the year, December, around the December time frame; December, January.

Mr. CARNAHAN. And do we expect them to just do it the way we wanted it done in the first place, or are they changing the metrics and the way they are doing it?

Mr. JOHNSON. Well, I think given the plans that the U.S., and DoD in particular, has to draw down combat troops, they have over the past year recognized the need to pay more attention to ensuring that the Afghan National Police focus on civil order, rule-of-law type issues, and I think there is some recognition, given some criticism from some past work that the IGs have noted, as well as the Congress itself, that more attention needs to be done in that area. And I think now that it is more a NATO-led training mission; that that has begun to be the case, that they all want to focus on civil-order police because of the planned withdrawal of the combat troops by the international community.

Mr. CARNAHAN. Also related to the police ensuring that there is an adequate number of female members in the Afghan National Police, can you talk about that? My understanding is there is about 9 percent within the police, with the goal of 5,000 by 2014. How are we doing on achieving that goal, and what are we doing to achieve that goal?

Mr. JOHNSON. Unfortunately, Congressman, we don't have any updated information or statistics on female police in the Afghan security force. We would be happy to undertake that work, though, or to get back to you on those numbers. We can check with some of the information we can get from the State Department and the Department of Defense and get back to you on that.

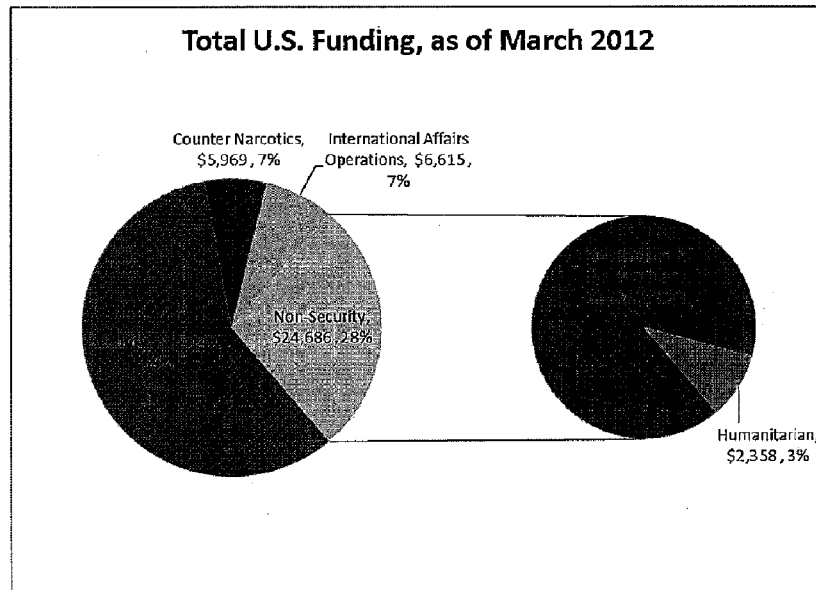
Mr. CARNAHAN. Thank you. I would like to see that.

Mr. JOHNSON. Okay.

[The information referred to follows:]

GAO Post Testimony Follow Up
June 6th, 2012
Subcommittee on Oversight and Investigations
House Foreign Affairs

1. Total U.S. non-security aid to Afghanistan, as of March 2012-- \$24.7 billion



Source: GAO analysis of SIGAR data.
Note: Beginning fiscal year 2002 through March 31, 2012.

For the full SIGAR report see www.sigar.mil/pdf/quarterlyreports/2012-04-30qr.pdf, see pdf pgs 46-48, and 174.

2. Women in ANP – Department of Defense 1230 Report to Congress, April 2012

The April 2012 Department of Defense 1230 report to Congress notes that women currently account for less than 0.9 percent of the total ANP force. As of March 2012, there were 1,340 female members of the ANP: 558 patrolwomen, 576 NCOs, and 206 officers. According to DOD, women are likely to remain

underrepresented in the ANP for the foreseeable future; the ANP failed to meet its recruiting goal in 2010 and 2011, and only 54 women have been recruited in 2012. The current goal is 5,000 women in the ANP by 2014.

According to DOD, as of March 2012, there are 350 female members in the ANA, which is only a fraction of the ambitious goal of 19,500. Nevertheless, DOD notes that training capacity continues to be set aside for female recruits; for 2012, there are two ANA Officer Candidate classes (each with a capacity of 60 women) scheduled.

For the full DOD report see

www.defense.gov/pubs/pdfs/Report_Final_SecDef_04_27_12.pdf , see pdf pg 41

3. The next Department of Defense 1230 Report to Congress will be issued in October 2012. The most current 1230 report is as of April 2012.

Other Reports Mentioned during Testimony:

4. Donor Dependence, GAO-11-948R September 2011
 5. Department of Defense Effort to Train Afghan Police Relies on Contractor Personnel to Fill Skill and Resource Gap GAO-12-293R, Feb 23, 2012
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Mr. CARNAHAN. And then finally, we have worked with Stuart Bowen and others in developing legislation that would look at consolidating civilian stabilization management functions into a U.S. Office for Contingency Operations, and, not surprisingly, we have not had a lot of great feedback from the State Department or Defense Department. But I would like to see if you would comment on that concept of having joint contingency operations like that, or other recommended changes in how we can do this better and get beyond some of the traditional tension between DoD and State and USAID, and be more effective, in particular, in terms of accountability measures.

Mr. JOHNSON. Well, there are two parts to that. One is the whole contingency operation. With regard to that function itself we have seen some of the earlier draft proposed language. We raised some caution or concern in showing that some of the functions that are being considered to be rolled in, that they are brought into the contingency operations.

For example, INL functions are broader than just contingency operations. They are doing counternarcotics work and law enforcement training across the globe. Some of that will have to be taken into consideration. That was one of the issues I think we may have provided some feedback on.

In addition, when you talk about oversight and accountability, I guess our position there is that obviously the GAO, as part of your investigative arm, stands ready to meet any of your needs in the contingency operation environment, whether that is Iraq, Afghanistan, Pakistan, Yemen, and we have been doing significant work in all of those areas and stand ready to continue to do that work for the Congress.

Mr. CARNAHAN. Thank you very much. I yield back, Mr. Chairman.

Mr. ROHRABACHER. Thank you very much. We will have a second round at this point, and I would like to ask a little bit, some details here about, for example, the bank scandal. Okay, there is your specific. Apparently this bank, the Kabul Bank went broke, or bankrupt, and \$825 million were lost in this bank. Now, at the same time, we have this—and I know you pronounce it Deloitte, is that it, DeLoitte, the accounting firm, this major accounting firm that we have got was actually there, American accounting firm, was involved in that operation to try to keep—try to keep it so it wouldn't go broke.

And I understand that also the United States Government used this bank to deposit many of its accounts, and they used it as a vehicle for aid, et cetera. How is it that when we have such a prestigious accounting firm on the premises, and we have American Government officials directly involved with running accounts through the bank, that the bank can just go belly-up like this and there is \$825 million evaporated?

Mr. HUTTON. Mr. Chairman, we have not looked at that, but I do know that USAID within the last year or so, did some work looking at the contractors that were supporting technical advisors for that particular bank.

Mr. ROHRABACHER. Well, we did have technical advisors. We must have had technical advisors in that bank.

Mr. HUTTON. Yes, contractors were performing as advisors, I believe

Mr. ROHRABACHER. So how is it that that bank, we have American technical advisors on the scene, how can we just blink our eyes and all of a sudden there is \$825 million evaporated?

Mr. HUTTON. Well, we have not looked at that specifically, but I could take that back to just the internal controls again, sir, and having the institutions and the oversight framework for being able to assure that procedures are followed, whether it be the banking sector or any other sector.

Mr. JOHNSON. And Mr. Chairman, if I can sort of chime in on what John just was alluding to, part of the issue is that the U.S. and the international community made a commitment to move more toward direct assistance, provide more money on budget. At the same time, we were trying to build the Afghan Government's institutional capacity, whether it is the banking institutions, financial institutions, whether it is the Ministry of Interior, Defense—

Mr. ROHRABACHER. Right, sure.

Mr. JOHNSON. All of those things. So these things were happening at the same time, which in an environment where we have noted security is a challenge, corruption is a challenge in this country, as we know, and as well as, more importantly, the lack of institutional capacity did not exist, so the U.S. and the rest of the community have been trying to build that while we are also trying to pump billions of dollars into the governments directly.

Mr. ROHRABACHER. Has there been an investigation into this bank, and so we know where that money went? There are reports, of course, that President Karzai's brother, who was heavily involved in this bank, has been able to purchase property in Dubai, for example. Has anyone looked into that charge?

Mr. JOHNSON. As John noted, we have not looked specifically at the—

Mr. ROHRABACHER. Who would look into it? If it was going to be looked into, who would look into it?

Mr. HUTTON. Sir, I think typically, for GAO, if we are doing any job and we see some things that look like it might be potentially fraud, waste—or fraud in particular.

Mr. ROHRABACHER. Right.

Mr. HUTTON. We would then turn that over to the IG that is responsible for that program to take the next look because that is more their core specialty.

Mr. ROHRABACHER. Has it been turned over to them?

Mr. HUTTON. Sir, I have not looked at it, I cannot tell you, but I don't know whether any of the other witnesses from the executive branch might be able to give you some more insights into that, but I don't have information on that, sir.

Mr. ROHRABACHER. Do you have any information on that as to whether or not—

Mr. JOHNSON. No, sir.

Mr. ROHRABACHER. So the IG is supposed to investigate?

Mr. HUTTON. Typically that is the process that we use.

Mr. ROHRABACHER. Okay, typically, and in Afghanistan, that is what we are doing. If something comes up like this, we ask the IG to investigate, but we have an \$825 million loss, but you are un-

aware of whether or not there has been a request for an investigation?

Mr. JOHNSON. Well, I would note this was an issue that came up probably 1½ years, 2 years ago, and there was a hearing before the Approps Committee, and this was mentioned during that hearing with the IG present as well as SIGAR present, and my understanding is that there were some investigations that were going to be undertaken but not by the GAO.

Mr. ROHRABACHER. Okay.

Mr. HUTTON. The only other thing I would add, sir, is investigations may not only involve that one particular inspector general that I mentioned, there may be other tools such as Federal Government investigators and other support, but I don't know anything in terms of the specific details about the case you raise.

Mr. ROHRABACHER. Let me ask you this: Do you have a blacklist of Afghan officials and presidential family members who you will not do business with because there is evidence that they have been involved with high level corruption?

Mr. HUTTON. No, sir.

Mr. ROHRABACHER. There is no blacklist, there is no list of—

Mr. JOHNSON. No list that the GAO has.

Mr. HUTTON. Right.

Mr. ROHRABACHER. Hmmm. And so, for all we know, a large number of people who you are dealing with are people who have engaged in blatant corruption?

Mr. HUTTON. Well, one thing, sir, when you talk about lists, we mentioned in our formal statement as well as in our past work, we identified that there are vetting processes that the DoD and USAID in particular have used. To the extent to which they are vetting contractors or grantees before they make the award and they find that they have some issue, regardless of what the issue is, that is information that they would have in their own organization. One of the issues we came up with in our report was making sure that the interagency shares information so that all that information can be leveraged if that particular contractor or grantee wants to participate in another Federal agency's programs.

Mr. JOHNSON. If I can add on, Mr. Chairman.

Mr. ROHRABACHER. Yes, go right ahead.

Mr. JOHNSON. With respect, again, getting back to the direct assistance issue and the decision made to move more toward direct assistance by the international community and our own Government to provide more than 50 percent there, there was a push and has been a push to, you know, provide funding directly to the Afghan or the Pakistani Governments or their firms, local firms for that matter. And as a part of that, as we noted and as John noted in his statement, the key to that being successful is to make sure we do pre-award risk assessments to determine where the vulnerabilities, the weaknesses are. And there are situations from that standpoint—

Mr. ROHRABACHER. That means you would have to have a list, and you apparently don't have a list.

Mr. JOHNSON. Even if they have a list and the list tells you that this organization or institution is corrupt, and we have some situations where in Pakistan, the institution may have been corrupt,

they would still decide to go the direct assistance route, but they would take mitigating things to put in place, such as embedding someone in there to ensure that there is no mismanagement of funds or to require certain additional controls. Those are things that can be done to help safeguard and prevent waste, fraud, and abuse of some of the U.S. funds.

Mr. ROHRABACHER. Tell me, have you studied the reconstruction that was done in Japan after World War II? You haven't?

Mr. JOHNSON. No, sir.

Mr. ROHRABACHER. What countries have you studied reconstruction programs on that were successful?

Mr. HUTTON. That were successful? In my professional work at GAO, I focused on Iraq and Afghanistan. That is my—

Mr. ROHRABACHER. So you have never focused on a successful program of restoration. I doubt whether the Americans after World War II permitted Japanese companies who were involved in corruption to continue to get contracts with the economy-building measures that we were taking then. I doubt that. I don't know for sure.

But let me just say that I can understand why the American people would be horrified if they found out how loose we have been with their money, and the fact is that this corruption in Afghanistan, if the United States isn't willing to take it so seriously that we blacklist anybody who has been engaged in it, much less put them in jail, if we don't do that, no wonder they don't take it seriously, because we are not taking it seriously then. And I think that, after all of these years, it is disheartening to hear this late in the game how loose this whole situation is.

I want to thank you, and I am not—I am not blaming you guys. This whole thing—anyway, it looks, after all of these years to hear this, I am very disappointed, but thank you very much. We will have the next panel, please.

Mr. HUTTON. Thank you.

Mr. JOHNSON. Thank you, Mr. Chairman.

Mr. ROHRABACHER. All right, thank you very much, and we will now proceed with our second panel, which is composed of Larry Sampler, Jr., a senior deputy assistant to the administrator, Office of Afghanistan and Pakistan Affairs of the United States Agency for International Development. Now that was a mouthful.

He also served as a deputy coordinator for reconstruction stabilization with a joint appointment at both the State Department and USAID. He was a research staff member for the Institute of Defense Analysis with a focus on West Bank and Gaza, which is another garden spot that you were involved in. During 2002 and 2005, he served as chief of staff for the United Nations Assistance Missions in Afghanistan.

Prior to that assignment, he was a consultant to the Afghan Government in support of the Afghan constitutional Loya Jirga, after which he was awarded a constitutional medal by President Karzai.

Mr. Sampler did his undergraduate work in physics and electrical engineering at Georgia Tech, has a master's degree in diplomacy from Norwich University, and is an Army veteran who served with the Special Forces.

You are on the hot seat now, but we appreciate you being here, and we appreciate a very serious and frank dialogue with you

today, but you may proceed with your opening statement, and then we will go from there.

STATEMENT OF MR. LARRY SAMPLER, JR., SENIOR DEPUTY ASSISTANT TO THE ADMINISTRATOR, OFFICE OF AFGHANISTAN AND PAKISTAN AFFAIRS, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. SAMPLER. Thank you, Mr. Chairman.

I will be brief and leave as much time as possible for questions. I thank you for the opportunity to testify. I do represent the Office of Afghanistan and Pakistan Affairs at USAID.

And I would like to begin the way I always do, which is by thanking the veterans, be they military, State Department, USAID or even contractors, who have served in the past decade in Afghanistan.

As you rightly noted, since the time you were there and the time I was there, there has been a tremendous amount of sacrifice, and I would like to recognize that both on the part of the international community but also the Afghans, from Abdul Haq and Ahmad Shah Masood, to the thousands of Afghans now who put their lives at risk every day working to make Afghanistan a better place.

So while it is my responsibility, and I take it quite seriously, to address as many of the concerns as have been raised as possible, I also hope that in my remarks, I can give a few opportunities for people to take pride in what has been accomplished and have some sense of optimism about the way ahead and things to come.

As you noted, I have worked in Afghanistan since 2002, off and on, much of that time physically in Afghanistan, and so I know firsthand a lot of the challenges that implementers face, and I am happy to share during the question and answers as that is appropriate.

Before I talk directly and specifically about oversight, I would like to address a few of the successes that the Afghans have achieved with the support of the U.S. taxpayers, USAID, the inter-agency and the international community. And I have to note, one of the best unintended consequences of my travel to the region is that I get out of the constant news cycles of Washington, and I get to see firsthand when things are working and when there are successes and how much progress there has been since 2002.

For example, under the Taliban there were less than 900,000 people in school. Very few of them, if any, were girls. Currently more than 8 million children are enrolled in school, more than a third of those are girls, and now after a decade of improving schools and improving access to education, we are finding a generation of young men and women graduating from these schools who have much better critical thinking skills. This will make them better citizens, and it will make them much more resilient in their opposition to thoughtless or malicious doctrines.

In 2002, only 9 percent of Afghans had access to basic health care. Today that access is over 60 percent of the population, and by basic health care, we mean medical assistance within an hour's walk of where they are. Life expectancy at birth now is 20 years higher than it was in 2002, and maternal and infant mortality

rates have dropped significantly, drawing international attention to what the Afghans have done right in that regard.

Our work in the energy sector has tripled the number of Afghans with access to reliable electricity, not just supporting but actually enabling economic growth in the country. With USAID's support, Afghanistan's national power company has increased their revenue collection by 50 percent every year since 2009. This has reduced the need for a subsidy for this state-owned enterprise from \$170 million a year to around \$30 million a year last year.

And as a segue, USAID is focusing our efforts on areas with the greatest potential for increasing domestic revenue and sustainable growth and away from areas that require foreign assistance. These are areas such as agriculture, extractive industries, energy, trade, and generic capacity building for their government. We are, in fact, reducing new infrastructure projects to focus instead on building the Afghan capacity to maintain the infrastructure that they have.

We are cementing gains that we have made by women, gains made in the areas of health and education, and we are increasingly focusing on how to involve the private sector both in Afghanistan, among the Afghan diaspora, and among the international business community in our programs. We are focusing, in other words, on sustainable development.

The successes that I have talked about have been achieved by constantly improving how we do business in Afghanistan. Protecting taxpayer resources is a key concern of USAID. Over the past 2 years, we have taken several measures to better track our funding, to enhance accountability, and to ensure our programs do have the desired impact in the communities we seek to impact.

We have developed the Accountable Assistance for Afghanistan initiative that the GAO colleagues referred to. It is actually an extra layer of oversight, recognizing that Afghanistan is a high-risk environment in a war zone. It involves better award mechanisms that are more carefully crafted to keep our partners more carefully constrained. It involves intensive partner vetting for all non-U.S. partners. It involves stronger financial controls, how we actually parse out the resources and the money. And it involves a closer, more professional oversight of the projects in the field.

Ultimately, our goal is that Afghanistan can monitor and manage programs themselves. To that end, we are engaging in financial management training with our Afghan partners at all levels, both inside and outside of government. We are also supporting efforts to promote a professional Afghan civil service, and in the long term, this will improve accountability and reduce the opportunities for corruption.

So, as part of our goal of Afghan management of their own development, we are working to concentrate more assistance directly to the Afghan Government while at the same time tailoring oversight to make sure that we have a high degree of accountability.

We do not work with the Government of Afghanistan as a whole. Instead, we work with specific Ministries, and we only engage after careful assessments have determined that the Ministry has the technical, financial, and administrative systems necessary to responsibly manage our resources. Our primary method in these cases is a disbursement of funds on a reimbursable basis for costs

incurred. In other words, the Ministry does the work; we validate that the work has been done; and then we provide the funds.

Finally, as you know, there are multiple independent oversight bodies that review our work, including the GAO, but also SIGAR and the USAID inspector general. These organizations have done about 70 audits of our work since October 2010, and some of these audits I would note were initiated at our request; USAID asked for them. In fact, the A3, or the Accountable Assistance for Afghanistan initiative, was specifically in response to an audit that we had requested. We really welcome their oversight, we have a good working relationship with all of the oversight bodies, and we do welcome their insight.

Finally, in conclusion, we recognize the sacrifices in blood and treasure made by Americans and Afghans alike. We are under no illusions about the challenges we face, but we think these challenges call for exercising more care and diligence in how we operate rather than walking away from the vital national security interests that this work supports. Our mission of defeating al Qaeda and denying it a safe haven or a place to rebuild is still critical, and USAID programs are an important contribution toward that goal because we are helping to build a stable, sustainable, and secure Afghanistan that will not require huge amounts of foreign assistance.

Mr. Chairman, I am happy to take your questions or to address some of the issues raised by GAO at your convenience.

[The prepared statement of Mr. Sampler follows:]

Testimony for the Record

**Donald “Larry” Sampler, Senior Deputy Assistant to the Administrator & Deputy Director
of the Office of Afghanistan & Pakistan Affairs at the United States Agency for
International Development**

House Committee on Foreign Affairs, Subcommittee on Oversight and Investigations

“Investigating Waste, Fraud and Abuse in Afghanistan”

June 6, 2012

Chairman Rohrabacher, Ranking Member Carnahan, and distinguished members of the Subcommittee, thank you for the opportunity to appear before you today. My name is Larry Sampler and I am the Senior Deputy Assistant to the Administrator & Deputy Director of the Office of Afghanistan & Pakistan Affairs at the United States Agency for International Development (USAID). I am glad to be here to discuss USAID’s work in Afghanistan and the various methods we are employing to ensure rigorous, multi-layered oversight of U.S. taxpayer dollars as we carry out assistance programs that are pivotal to our national security strategy.

I have been working on and in Afghanistan since 2002, on both the civilian and military side of our U.S. government efforts; as a representative of an international NGO; and as chief of staff of the U.N. Assistance Mission to Afghanistan. So I know the many challenges – from security to governance to local capacity – of implementing an assistance program in such a difficult environment. But we owe it to ourselves and the Afghan people to ensure that our investment over the last decade in Afghanistan’s stability and future growth will endure long after our combat troops depart. Protecting taxpayer resources is of vital concern to USAID. Over the past two years, we have taken several measures to better track funding, enhance accountability, and ensure our programs are having impact. Despite the difficult environment in which we work, we are making every effort to monitor our resources.

Before I discuss the ways in which USAID conducts oversight of projects and assistance dollars, I would like to draw your attention to some of the hard-won gains we have achieved, in cooperation with our Afghan and international partners. A great deal has been accomplished over the past decade. Ten years ago, Afghanistan was 100 years behind the rest of the world in terms of development. Changes of this magnitude are not made overnight, especially in a place as difficult to operate as Afghanistan. The achievements we have fought hard to make, while benefiting the Afghan people, are also making the region and our nation more secure.

For example, enrollment in schools has increased from 900,000 boys under Taliban rule (with nearly no girls) to eight million children in schools today, 35 percent of whom are girls. Likewise, the improvement in Afghan public health is nothing short of remarkable. Afghanistan had the worst maternal mortality rate in the world in 2002, and only nine percent of Afghans had access to even the most basic health care. Today, thanks to an innovative partnership with the Afghan Ministry of Public Health, access to basic health services has expanded to over 60 percent, and life expectancy at birth rose 15-20 years. At the same time, maternal mortality and infant mortality dropped significantly saving many tens of thousands of lives.

Our work in the energy sector has helped triple the number of Afghans with access to reliable electricity, supporting the economic growth of the country. With USAID support, DABS, Afghanistan's national power company, has increased revenues by approximately 50 percent year on year since 2009, and decreased the Afghan government subsidy from \$170 million to approximately \$30 million per year in 2011. The number of customers nationwide has increased by a factor of 4 (from 200,000 to 800,000) since 2003.

Improving access to quality education, healthcare, and economic opportunities promotes global stability and helps keep America safe. As Secretary of Defense Leon Panetta and the commander of our troops in Afghanistan, General John Allen, have emphasized to Congress, we need a fully engaged and resourced national security presence, including the core components of our nation's civilian power: the State Department and USAID. In the most volatile regions of Afghanistan, USAID works side-by-side with the military, playing a critical role in stabilizing districts, building responsive and accountable local governance, and building the resiliency of Afghanistan to maintain the development gains achieved over the last decade.

Many of the projects we undertake are not easy, but they are an integral part of the "three Ds" of defense, diplomacy, and development. We are continuously evaluating hard lessons learned to improve the effectiveness, accountability, and sustainability of our assistance.

As Afghan capacity increases, U.S. resources for Afghanistan will decline, but we must remember that while we have made great gains, those gains remain fragile. To this end, USAID is making difficult choices to sharpen our focus, and working with the Afghan government to prioritize our limited resources. We are focusing our work in areas with the greatest potential for ensuring sustainability, namely by increasing revenues and sustained growth, such as agriculture, extractive industries, energy, trade, and capacity development. We are reducing costly new infrastructure investments while increasing efforts to build Afghan government capacity to maintain the recent investments in critical road and energy infrastructure. We are working to involve the private sector and are ensuring that a gender focus is present in every facet of our programs. We are cementing, rather than expanding, gains in health and education; and we are reorienting stabilization efforts to more directly support the transition and a sustainable and stable Afghanistan.

USAID remains committed to supporting the government's capacity to stand on its own two feet, and ensures rigorous controls are in place when providing funds through government entities. Much of this is managed by the World Bank through the Afghanistan Reconstruction Trust Fund (ARTF). Other funds are provided for specific projects and we have established layered procedures to track funding and monitor projects. These efforts are essential for the Afghans to learn by doing, and we are already seeing the benefits in the health sector where we work alongside and in support of the Ministry of Public Health, which is now delivering basic health care to Afghans.

Our assistance, however, requires a shared responsibility by the Afghan Government. The Strategic Partnership Agreement (SPA), signed last month by President Obama and President Karzai, outlines a mutual commitment between the United States and Afghanistan to support

Afghanistan's economic development and strengthen Afghan institutions, in order to help prevent the re-emergence of an international terrorist safe-haven. This agreement also affirms that the U.S. and Afghanistan are mutually accountable in this effort. The SPA is also a positive step in addressing issues of accountability and oversight in Afghanistan. Per this agreement U.S. commitments to support Afghanistan's social and economic development are matched by Afghan commitments to strengthen accountability, transparency, oversight, and enhance effectiveness of government institutions. It is our expectation that a more defined framework for mutual accountability will be adopted in Tokyo next month by the Afghan government and international donors.

OVERSIGHT AND ACCOUNTABILITY

These aforementioned successes have been achieved by refining and reforming how we do business in Afghanistan. We have learned some hard lessons over a decade of work in Afghanistan, including in oversight and accountability, both areas in which USAID's leadership has focused intensively, and which represent key parts of our Agency's reform agenda and our work in Afghanistan specifically. We face formidable challenges as we strive to meet the highest standards of accountability in a war zone. Let me give you examples of key initiatives we have put into place.

In addition to the regular oversight USAID undertakes in all countries with which we work, we have developed the Accountable Assistance for Afghanistan initiative (A3) to further protect assistance dollars from being diverted from their development purpose. Through A3 USAID has enhanced its safeguards for development assistance in the following four categories:

- Award Mechanisms – We are utilizing assistance awards that provide the most visibility on project costs and limiting layers of subcontracts.
- Partner Vetting – We are conducting security checks on non-U.S. companies and key personnel potentially working on USAID projects. We have completed over 400 vetting requests and through vetting, kept \$17.6 million from being awarded to parties associated with malign actors.
- Financial Controls – We are enhancing controls on project funds, such as using electronic funds transfers in lieu of cash payments, using third party monitors to verify appropriate usage of funds, ensuring close review of recipients/contractor's claims prior to payment, and performing audits of locally incurred cost.
- Project Oversight – We are performing additional project oversight in high-risk areas, utilizing multiple monitoring techniques and delegating more oversight authority to USAID field staff. In order to move our staff closer to project implementation, we have deployed almost 60 percent of our direct hire staff outside of Kabul. We have instituted formal training for field staff serving as On-Site Monitors to ensure that staff know how to look for signs of fraud, waste, and abuse. The lessons learned from these initiatives are also carried forward to other areas of our programming, so that we maintain a steady vigilance in the use of our tax payer monies.

We are engaging in financial management training with our Afghan partners at all levels – so that they better understand the importance of regular reporting and their fiscal responsibilities as highlighted by the award mechanisms and general accounting and project management principles. USAID is also supporting efforts to promote the development of a professional Afghan civil service, which is helping to raise their skill level; modernizing, institutionalizing, and harmonizing administrative systems across the ministries; and supporting a system for civil service training within the Afghan government. In the long term, this will improve accountability and reduce opportunities for corruption.

Concurrent to these efforts, we are addressing oversight and accountability by revising our contracting practices. Consistent with the Agency's broader procurement reform agenda instituted by USAID Administrator Rajiv Shah, we are decreasing our reliance on large agreements and have increased the number of smaller and more flexible agreements. In many instances, these smaller agreements are managed outside of Kabul by our field-based staff, providing a higher degree of monitoring and oversight as they are closer to the actual implementation sites. An example of this is RAMP UP, a democracy and governance project, which was awarded as four separate contracts for the North, East, South and West to allow for greater flexibility and differing needs between the regions, and to allow the Contracting Officer's Representative to be placed in the field.

Furthermore, as we concentrate more of our assistance dollars directly through the Afghan government (known as "on-budget" assistance), we are tailoring our oversight to help ensure the highest degree of accountability. USAID does not currently work with every ministry. Rather, USAID requires and conducts assessments to ensure that each Afghan ministry or independent institution has the systems required to manage the on-budget assistance. Technical assistance is provided to address any vulnerabilities or weaknesses identified, prior to the provision of any funding. In addition, USAID negotiates specially tailored controls into each on-budget agreement, and contracts for third party technical assistance and capacity building to further enhance controls and procedures at recipient agencies. Each of our on-budget agreements include pre-award disbursement conditions as well as conditionalities that must be met throughout the period of the activity. The primary method of disbursement under the on-budget agreements are on a reimbursable basis for costs incurred or for specific achievement of milestones. Each on-budget agreement also requires an annual third-party audit of the agreement activity to ensure that costs incurred were appropriate under the program terms. Program plans and reporting mechanisms are also strictly enforced.

As you know, there are multiple, independent oversight bodies that also review our programs, including the Government Accountability Office, whose representatives testified today, as well as the Special Inspector General for Afghan Reconstruction (SIGAR) and the USAID Inspector General. Collectively these entities have completed 50 audits of programs in Afghanistan for Fiscal Year 2011. These financial and performance reviews complement and reinforce our own efforts to ensure U.S. tax dollars are used effectively and efficiently. In fact, USAID initiated the Accountable Assistance for Afghanistan program to better respond to and correct problems identified during audits. USAID welcomes the oversight and discipline imposed by audits, including those initiated at our request.

MOVING FORWARD

At the recent NATO Summit in Chicago, world leaders reaffirmed the partnership with Afghanistan, sending a clear message to the Afghan people that as they stand up to take responsibility for their own country, they will not stand alone. On July 8 in Tokyo, we expect consensus on a concrete frame for mutual accountability with the Afghan government that will include measurable outcomes and set conditions for assistance going forward. For our assistance to be effective, the government will have to meet certain benchmarks. These commitments are essential to maintaining security, and economic and political stability through the transition and into the next decade. The affirmation of security support made in Chicago is essential, just as is the upcoming Tokyo donor conference in assuring the Afghan people and government that the international community will not hastily cut support as they plan their future.

CONCLUSION

We recognize the sacrifices made by Americans to provide security and stability in Afghanistan, and we also fully understand the need for constant vigilance. We are under no illusions about the challenges we face in Afghanistan. Every day our staff and our partners are under threat. In fact, since 2003, 387 people working for USAID partner organizations in Afghanistan have been killed and another 658 wounded.

Security increases our costs, and we must expend significant effort to safeguard taxpayer funds. Problems of limited capacity, corruption, narco-activities and their corrosive effect on governance exist. But these call for exercising care and diligence – they are not reasons to abandon our vital national security interests nor the hard work and sacrifices made thus far. Our mission of defeating al Qaeda and denying it a chance to rebuild remains critical, and the programs implemented by USAID are essential elements to the success of that goal.

It is an honor to be able to share with you today a small glimpse of what USAID is doing in that regard. I look forward to answering any questions you may have.

Mr. ROHRABACHER. Thank you very much.

And I won't say that that was a contradictory set of images being presented, but it was not necessarily totally consistent, either, between the first and the second panel, but not necessarily contradictory.

Let me just get into some details with you here. I appreciate how difficult your job is, and let me just note that, and I am very pleased that someone of your caliber has taken on such a heavy responsibility and such a difficult task.

Mr. SAMPLER. Thank you, Mr. Chairman.

Mr. ROHRABACHER. And I understand that. So could we take a look at, first of all, how much money—let me ask you the question, 2002 to the present, 10 years, how much money have we spent in American aid to Afghanistan, not military aid?

Mr. SAMPLER. I had the advantage of having my staff look this up after you asked the GAO.

Mr. ROHRABACHER. I was hoping you were going to do that.

Mr. SAMPLER. \$15.7 billion is what USAID has had appropriated for our use in Afghanistan since 2002.

Mr. ROHRABACHER. Say that again now.

Mr. SAMPLER. \$15.7 billion. For clarity, that does not represent all civilian assistance. I am not cognizant on what USAID or other agencies may have had, but it would not approach anything like the amount that USAID has been given.

Mr. ROHRABACHER. Okay. And when you have money that is coming in, you are saying that you actually have tried to give this directly to people within the Afghan Government who you have determined have specific responsibilities for trying to achieve these specific goals. Has the money been, has our then tax dollars or the Treasury money that is coming into this, would that have gone through the Kabul Bank?

Mr. SAMPLER. No, Mr. Chairman. With respect to the Kabul Bank concerns, no U.S. dollars were associated with Kabul Bank at all. We didn't even use the electronic fund transfer mechanism of that particular bank. It was not a policy decision, per se. There are other banks, and we just had not been doing business with Kabul Bank.

Mr. ROHRABACHER. Okay. But we did have one of our great firms there to make sure that their books were being, supposedly being kept right, but they were being paid by whom?

Mr. SAMPLER. I believe you are referring to Deloitte.

Mr. ROHRABACHER. Yes.

Mr. SAMPLER. Who bought out BearingPoint. BearingPoint had a contract as a part of the Economic Growth and Governance Initiative.

Mr. ROHRABACHER. Where did that contract come from?

Mr. SAMPLER. That was a USAID program.

Mr. ROHRABACHER. A U.S. What program?

Mr. SAMPLER. I am sorry?

Mr. ROHRABACHER. U.S. Aid program?

Mr. SAMPLER. USAID program.

Mr. ROHRABACHER. Okay.

Mr. SAMPLER. It was about a \$95 million program over several years. This piece of it was about 8 percent of that, so \$7 million

roughly that Deloitte was using not at Kabul Bank but at the Afghan Central Bank. The Afghan Central Bank is the institution that is charged with preventing things like Kabul Bank from happening.

Mr. ROHRABACHER. Right.

Mr. SAMPLER. One of the issues, in my opinion, is the institutions in Afghanistan are not yet mature enough to have prevented or to prevent adequately the kinds of Afghan-on-Afghan crime that Kabul Bank represents. The Deloitte program, the Economic Growth and Governance Initiative, was supposed to help build the central bank's ability to supervise subordinate banks or to supervise outlying private banks.

Mr. ROHRABACHER. Okay. So you didn't have anything directly involved with the Kabul Bank, but you did provide a grant to Deloitte to do its job, which was partially to oversee banks in Afghanistan, and Kabul Bank happened to be the biggest one?

Mr. SAMPLER. Not precisely, and I am sorry; I don't mean to quibble. It was not a grant, it was a contract, and Deloitte was not responsible for doing any oversight themselves. They were trainers. They would not have been able to do oversight because they wouldn't have the language skills, for example, to review Dari and Pashto and Balochi documents. Their job was to serve as mentors to the central bank examiners working for the Government of Afghanistan, and these central bank examiners would have been the ones who would go out and do the bank investigations and the bank inquiries at the private banks. So it was not Deloitte's responsibility. And in fairness to our own inspector general, USAID asked for an investigation after the Kabul Bank fiasco, and our inspector general disagreed with us. We said that Deloitte's responsibilities would not have given them any particular insight into this Afghan-on-Afghan crime, and our inspector general thought differently, and they said in their report, we believe that if Deloitte were doing what you told them to do, they would have seen precursors to or indications of fraud, and they should have reported that to the U.S. Government.

We took that on board, and we actually terminated that program because despite the fact that they weren't directly responsible for this, the program lost tremendous credibility because of the press associated with it, but we have now issued—

Mr. ROHRABACHER. I would suggest that it was more the \$825 million that evaporated rather than just the press from—

Mr. SAMPLER. No, the bank fiasco, there is no question. Deloitte was caught up in the press associated with that.

Mr. ROHRABACHER. Is Deloitte then serving as an NGO, would that be what you would say or just a contractor?

Mr. SAMPLER. They were a contractor. In this case, they were a contractor, and to the best of my knowledge, I don't think they work as an NGO.

Mr. ROHRABACHER. All right. So it was a profit-making contract?

Mr. SAMPLER. They were and are, and this was, yes. But we have since then, based on the IG report, issued guidance to all of our contractors that if they detect any indication of fraud, waste or abuse, they have a responsibility to report it, and that is across the board in our contracts now.

Mr. ROHRABACHER. In your testimony, you were talking about with pride of how you have tried to go directly through the Afghan Government when possible to achieve the social goals and the development goals that you have set out for yourself. Now, in the Afghan Government, there are people who have committed crimes; they have been shown to have been involved, you know, there is the fellows who just let go all of these Taliban prisoners, et cetera, et cetera. Do you have a list, a blacklist of people that you will not give our money to?

Mr. SAMPLER. We do, Congressman. With respect to direct assistance, we don't give money to individuals. We work with Ministries, and we don't even work with the Ministries until we have positive—we have done this initial assessment. If there are shortcomings, we have provided technical assistance to compensate for those shortcomings. So there is no check written to an individual in the Bank of Afghanistan.

Mr. ROHRABACHER. Sure, of course.

Mr. SAMPLER. But we do have, and there is——

Mr. ROHRABACHER. But if the guy at the Ministry who takes in the checks and writes the checks for the Ministry happens to be the same guy who was, you know, fingered for stealing money from some other organization——

Mr. SAMPLER. There are a couple of interagency task forces and some that are international among all the donors, one being Task Force Shafafiyat, which looks specifically at issues of Afghan corruption, and we certainly share information among the interagency. To take your example, though, of a Ministry that we have done the pre-award assessment, we would have identified through this task force or through the interagency collaboration most likely that this individual was of questionable reputé, and there would have been some mitigation taken to make sure that he did not have access to these funds.

I don't—to the best of my knowledge there is no situation where one individual in any Ministry we work with has signatory authority for funds. It doesn't work that way. They do the work. They say they have done the work and certify it. USAID direct hire staff or our third-party contractor validate that the work is done, and then we reimburse the receipts for that work. These are lessons we have learned the hard way, not just in Afghanistan but in other places that USAID works. This is not the first corrupt place that we have had to work.

Mr. ROHRABACHER. Yes. Yes, I understand that. I want to ask you a little bit about NGOs and then back to the point you were just making.

So there was a senior auditor for SIGAR, James Peterson, wrote a column for Politico yesterday suggesting that NGOs were taking far too much money off the top of various programs that have been given money to do this or that, but they end up having enormous overhead costs. And he suggested in this article, that USAID has struggled to keep NGO overhead costs below 70 percent. So is that right? I mean, we are actually just looking at the NGOs going in, and they are only providing the money that is given to them, only 30 percent is ending up trying to achieve the goal?

Mr. SAMPLER. Well, I can reassure Mr. Peterson, we are successful at keeping overhead below 70 percent. I don't know where he got that number. I can't speak for all NGOs, I know the NGO that I worked for and I know the ones that I have worked with in my 10 years, none of them have overhead that approaches even 30 percent, to be honest, but certainly not 70 percent. I did see Mr. Peterson's article back I think when it came back out in January or February and found it to be not particularly credible, to be honest.

Mr. ROHRABACHER. Okay. So the—that is okay. So you would suggest that using NGOs is an alternative or one of the alternatives that would be a very viable alternative for USAID to look at and to continue down that road in terms of your development strategies, is that correct, in Afghanistan?

Mr. SAMPLER. Yes, NGOs, we have direct assistance, we have contracts with for-profit companies for the most part, and we have cooperative agreements and grants.

Mr. ROHRABACHER. Do you want to give me a little assessment on whether the NGO approach or giving direct money to specific government agencies in meeting the Afghan Government's agencies, which is the most effective in building the new clinics and schools that you talked about?

Mr. SAMPLER. Certainly. This is part of I think what makes my job so interesting, to be honest, Congressman, is there are things that NGOs are better able to do, and they are valuable partners all over the world, and they have both international NGOs and domestic Afghan NGOs, but I constantly remind myself and our staff that our job is to work the international community out of a job, out of business.

Using international NGOs is somewhat effective at that, but it is more effective if we can find Afghan partners in whom we can build that capacity from the ground up.

Mr. ROHRABACHER. And you have used these Afghan partners and been satisfied at the level of competency and also the level of corruption or lack of corruption that you have found?

Mr. SAMPLER. If we are not satisfied, we don't use them, Congressman. Competency we can train; corruption we can't tolerate. So if we meet with an organization that needs capacity to be able to do whatever we have asked them to do—the Ministry of Public Health is a great example. The Ministry itself needed some work. We created a technical assistance mechanism to help the Ministry do this, and then the Ministry went themselves to NGOs, and the Ministry and USAID helped build the NGO capacity to execute the programs. We could have done it with an international NGO, but that would not have had the same capacity building value of doing it through the Afghans.

Mr. ROHRABACHER. I would just note that my personal observation over the years has been that when NGOs come in, a lot of them have to have drivers. They have to have very secure locations, and sometimes luxurious for the country they are in, a luxurious location to nest, and it seems to me that there is a lot of—NGOs going out and roughing it has not necessarily been what I witnessed. Although I am sure there are many NGOs that do that, there is a lot of NGOs that aren't.

Mr. SAMPLER. Thank you, Congressman. NGOs range everything from small faith-based NGOs that are supported by one congregation in north Georgia all the way up to some very large multinational NGOs.

Mr. ROHRABACHER. Right. Do you believe that Karzai's brother profited from the bank failure from the Kabul Bank scandal?

Mr. SAMPLER. Congressman, all I know about Karzai's brother and the bank is what I have read in the press. The most recent story I read was that he had reached an accommodation with the prosecutor where he would not face jail time as long as he made restitution, and that is what the press is reporting. Other than that, I don't know.

Mr. ROHRABACHER. Okay. Have you heard stories about any other member of the Karzai family that seemed credible to you that they might have been involved in drugs in some way?

Mr. SAMPLER. You have to stop at the credible to me part. Congressman, I know you know from your own time in country that it is a country that has an oral tradition as opposed to a written tradition, and there are stories about everything and everyone in Afghanistan, so certainly those stories were rampant.

To be clear, though, at no time during my DoD experience there, with ISAF, with the State Department or with USAID have I ever seen a credible story that is documented that we could take action on, and I am confident knowing that people that I worked with—

Mr. ROHRABACHER. That little caveat "that we could take action on" leaves a big door open. Let me ask you this: Do you know of the Karzai family owning property in Dubai?

Mr. SAMPLER. I do not. And I wouldn't know. I go through Dubai on the way, but that is all.

Mr. ROHRABACHER. But you are at the same time providing grants, are you not, to the various government officials and agencies in the Afghan Government that would be responsible for trying to ferret out that type of corruption?

Mr. SAMPLER. The most relevant organization that I can think of that we support is the Office of High Oversight, which is their equivalent perhaps of an inspector general at the national level. So, yes, we do support the Government of Afghanistan's attempt to police its own.

Mr. ROHRABACHER. Right. And you haven't heard of anything coming from—about the Karzai family being on their blacklist?

Mr. SAMPLER. No.

Mr. ROHRABACHER. Or is it just something everybody knows, or is it just something that perhaps is probably not true?

Mr. SAMPLER. I don't know exactly how to answer that, Congressman.

USAID's business is with the Government of Afghanistan. I am very comfortable discussing corruption and allegations about the Government of Afghanistan and about specific Ministries. With respect to particular families, be it Karzai's or Habib Yaqubi's, I could go back, if you wish, and find out what we have on our books, but I don't know those answers off the top of my head.

Mr. ROHRABACHER. Well, he did give you a medal and everything.

Mr. SAMPLER. He did, and I am quite proud of it.

Mr. ROHRABACHER. I would be proud of a medal from Afghanistan, and he was representing Afghanistan at the time. I think you can be very proud of that medal.

Mr. SAMPLER. He was.

Mr. ROHRABACHER. And we are very grateful for the service that you are providing.

Mr. SAMPLER. Thank you, Congressman.

Mr. ROHRABACHER. Part of that service is having to come up and be cross-examined by Members of Congress, which makes it even a little bit more of a drudgery or a tough job.

Let me ask about this new agreement that we have signed with the Afghan Government. It is my understanding—well, first of all, it has tied us into a relationship with an Afghan Government that I personally would question whether we should be tied into or not, but does this agreement, from your understanding, tie us into a relationship with the Afghan Government where 50 percent of our, of all of our assistance will have to go through the Afghan Government in what you were saying rather than being given to contractors and NGOs?

Mr. SAMPLER. The agreement does call for a 50 percent on-budget contribution. We will not do that until we can assure ourselves that that contribution will be properly managed. So that is what—it is set for us as a goal, just as we have set goals for the Government of Afghanistan.

Mr. ROHRABACHER. So we have agreed to try to achieve that goal?

Mr. SAMPLER. That is correct, Congressman.

Mr. ROHRABACHER. Okay. But we haven't agreed to do it, we have just agreed we are going to try to do it?

Mr. SAMPLER. Absolutely.

Mr. ROHRABACHER. Okay. That is a very interesting interpretation of the agreement. I will take a look and make sure the wording is sort of that way. I will have to suggest that we have been in Afghanistan now for close to 10 years, and you are right when you talked about Commander Masood and Abdul Haq and some of the great leaders that they had. This is—they have lost 1 million people in the last 20 years, many of them who would be providing the leadership, the honest and committed leadership that Afghanistan or any society needs. Unfortunately, they are gone, and we have got to do our best without them.

Let me ask a little bit, I have one or two more questions about aid, and you do not have a specific list of people who work for the government who you are not now—who are on your blacklist, who you are not going to deal with?

Mr. SAMPLER. USAID, other than our suspension and debarment list, which is a corporate list, does not have a blacklist of individuals, but before we work with a particular Ministry, part of the preventive maintenance or the preventive assessment that we would do, the preparatory assessment would involve who will be working with this money and who will be the signatory for this.

Mr. ROHRABACHER. Okay. How much of the aid—I have received information that suggests that a large portion of the aid that we have spent in Afghanistan in these 10 years has gone to the southern tier of Afghanistan, which is basically the Pashtun territories.

Is that true? And if it is true, why are we putting a lion's share of our aid there rather than working with those people who actually helped us defeat the Taliban, who come from more of the northern tier of the country?

Mr. SAMPLER. Congressman, that is not an uncommon question. The demographic distribution of the funds is somewhat skewed by the fact that Kabul is itself in the east of Afghanistan, so in the regions, the east and the south have Kabul and Kandahar. The south and even the southwest, the Helmand River valley area, have been identified as particular recipients of assistance, primarily in support of the military or the comprehensive approach to countering the insurgency there.

In meetings with the governor of Bamiyan, which you may know is a beautiful part of Afghanistan and has not seen much of the war lately, they lamented the fact that they are peaceful. They are law abiding. They have a woman governor, they have a minister, an admirable administration, but they don't get the level of resources that they think they should get.

We are working—I mean, we constantly realign our portfolio. We did a portfolio review just in the past 6 months, and part of that realignment is focusing on where do the resources need to go. We avoid political distributions. These are not—the resources are determined primarily by the needs of the U.S. Government and then by the priorities of the Government of Afghanistan.

Mr. ROHRABACHER. Okay. Your list of things for which we can be proud of, and let me just suggest that shortly after the liberation—of course, I went in and out of Afghanistan before the liberation and back during all the way to the Russian times, but I remember right after the liberation, I went in, and I drove between Kabul and Mazar-i-Sharif, and halfway through, there was a school, a tent that was set up. And I will have to admit to you one of the most inspiring sights that I have ever seen were those kids in that school and where you had little girls and little boys both, and here they had just come from a society where educating a girl would have meant they would cut the head off the teacher. And these people were committed to teaching their children, all of their children, the basics that would permit them to live a decent life. And that was very inspiring, and helping schools and health care can't go wrong in that regard, unless somebody is pilfering all the money, like I suggested when I was in Vietnam, I noticed then that money had been pilfered.

Mr. SAMPLER. Congressman, you lamented the loss of Abdul Haq and Commander Masood, and I think a lot of people do. But I am inspired when I go back by the young people who look up to those men and their peers and who aspire to fill their shoes. One of the things that excites me about the education programs in particular, and it was my words, I wrote the part of my presentation talking specifically about critical thinking skills. Young Afghan men and young Afghan women are not going to be led blindly into bad ideas, be they governance ideas or be they some other maligned doctrine, and these schools I think are the hope and the future, not just for Afghanistan but for the region. They will be better citizens, they will be better business people.

Mr. ROHRABACHER. And the schools, are they in the southern part of the country as well, is this something that you are focusing on, and how does that—I mean, as we know, the southern part of the country where the Pashtuns are the dominant force, much of the Taliban's antifemale aspects of them comes from or actually the Pashtuns agree with some of that, a lot of that. Is there a resistance in these Pashtun areas to that type of education?

Mr. SAMPLER. It varies community by community. As you probably recall, they have a very tribal and clan-structured society, especially in the south, and if the leadership of that community have had exposure, if one of their nieces or daughters or a woman in their family has been educated and they have seen that this contributes to the well-being of the family, then those patriarchs are able to help push that message out.

But the other thing that makes this irreversible, I think, is the number of young women who have been educated and who will not be put back into the dark ages, and the radio programs, there are some 15,000 independent radio stations now across the country that are quietly but slowly spreading a message that education of women is a good thing. So, yes, there is resistance. In some cases, it has been brutal resistance, but I think that that is on the wane in general.

Mr. ROHRABACHER. You mentioned Kandahar, and that of course has been a priority area, but it has also been a priority area that has been dominated by the Karzai family, and what has been your experience with the Karzai family in Kandahar?

Mr. SAMPLER. I have no personal experience with the Karzai family in Kandahar. When I was the chief of staff of the U.N. mission, I spent a fair amount of time there, and I would be able to say that the Karzais' tribe was a prominent tribe but not the only dominant tribe in that part of the country, and during my time there, that would have been 2004 to 2006, their clan or their tribe was competing with others for resources and for dominance, but I was not in Kandahar at a time when anything like the Karzai family ran the city. I didn't experience that.

Mr. ROHRABACHER. And what else is prevalent in Kandahar, is there something that grows out in the countryside?

Mr. SAMPLER. You are probably speaking about opium, and Helmand is actually quite a bit more—

Mr. ROHRABACHER. Yes, I understand, but Kandahar is in that part of the, that whole swath of the country where opium is—

Mr. SAMPLER. Across the south, if there are not strong institutions and if there are not, alternatively, livelihoods and value chains and access to market, opium will certainly be grown.

Mr. ROHRABACHER. Okay. And I know that you have got a list, and I hope you will provide for me a list, and I know you have got it because—and it is good—of enterprises that we are trying to use as alternatives to the opium trade, and I won't ask you to detail that for us now, but I am sure that is part of what you are trying to do?

Mr. SAMPLER. It is.

Mr. ROHRABACHER. If you could send that to me in writing, that would be deeply appreciated.

Mr. SAMPLER. We will be happy to do that, Congressman.

[The information referred to follows:]

Mr. Larry Sampler
June 6, 2012
Page 71, Line 1679

Insert 71

Mr. Sampler:

USAID's Alternative Development Programs in Afghanistan

USAID plays a critical role within the U.S. government's counternarcotics strategy for Afghanistan by implementing the development components that are essential to the success of overall counternarcotics strategy. Primarily, USAID supports licit alternatives to poppy production to farmers through developing markets for seed and providing technical assistance to improve yields for alternative crops, leading to higher incomes for farmers. USAID programs operate throughout the four regions of Afghanistan, although the bulk of the funding is directed towards the South and East of Afghanistan, where the majority of poppy production occurs. Current programs in these regions include the Incentives Driving Economic Alternatives – North, East, and West (IDEA-NEW), the Commercial Horticulture and Agricultural Marketing Project (CHAMP), and the Southern Regional Agricultural Development (SRAD).

The **Incentives Driving Economic Alternatives North East West program (IDEA-NEW)** is a five-year (2009-2014) \$160M cooperative agreement to implement alternative development projects. Specifically, the project objective is to promote sustainable growth of the licit agricultural economy, through the provision of agricultural incentives and economic alternatives for the poppy-prone provinces in the east as well as the northern and western regions of Afghanistan. The program promotes USAID's alternative development efforts to promote legal productive agriculture, improve economic opportunities in rural areas, and reduce dependency on illicit opium production. In collaboration with national, provincial, and district-level government offices, this project works to increase agricultural production, rural enterprise, and related infrastructural development, access to financial services, and overall value-chain development and integration for key regional industries. The program has reduced transportation costs of agricultural products by 20 to 30 percent, and increased yields by 25 to 30 percent. 191,444 families have directly benefited from IDEA-NEW's infrastructure projects that include the rehabilitation of roads, market centers, and irrigation infrastructure. These measures have enhanced agriculture production and enabled farmers to transport and sell their products in the local and international markets.

The **Commercial Horticulture Agriculture Markets Program (CHAMP)** (2010-2014 and \$40M) specifically focuses on horticulture and is directed at reducing poverty among rural Afghan farmers by increasing the productivity of existing vineyards and the conversion of

former wheat, poppy, and cornfields to more profitable orchards and vineyards. In the South – Kandahar, Uruzgan, Helmand, and Zabul provinces – the project focuses on trellising existing vineyards, which is expected to double the farmers' income within two years. Through the life of this project, farmers will contribute \$4.5 million of their own funds to partially pay the costs of the new orchards and vineyards. CHAMP also promotes export and trade corridors, and works with farmers to improve quality, and with traders to improve harvesting, packing, cooling, and shipping methods. Through CHAMP, USAID has established 5,878 hectares of new commercial fruit orchards and vineyards for 18,245 farmers to improve the economic status of rural farm communities in 18 provinces of the country. CHAMP has also trained these farmers on improved horticulture techniques such as land preparation, layout, planting, fertilization, irrigation, and integrated pest management.

The **Southern Regional Agricultural Development (SRAD)** (2011-2012 and \$70M) program is increasing long-term agricultural development and improving the incomes of farm families in Kandahar and Helmand provinces through capital inputs and training. Through its four components, Agricultural Infrastructure Development, Agribusiness Development, Conditional Asset Transfers and Training and Extension Services, SRAD uses long-term and short-term agricultural jobs, improved market linkages, direct interventions and capacity-building training to increase incomes and employment. By working through government agencies the program also seeks to strengthen ties between the Afghan government and its people.

Future Regional Agricultural Development Programs (RADPs) will continue USAID's commitment to alternative development with activities which will promote the licit production of alternative crops. These programs, focusing on high value crops, wheat, and livestock will be active in the South, South-West, West, and North and cover some of the highest poppy production areas in the country.

The budget for USAID's counternarcotics and alternative development is illustrated in the table below.

<i>\$ in thousands</i>	FY 2009	FY 2010	FY 2011	FY 2012 Estimate	FY 2013 CBJ Request
1.4 Counternarcotics	165,598	309,929	66,000	75,000	65,000

Mr. ROHRABACHER. Do you have anything you would like to add?

Mr. SAMPLER. Just one thing I would like to address, with respect to the GAO, and I don't know if they stayed, I speak sincerely when I say we appreciate the oversight they provide. I don't take great umbrage when the GAO finds mistakes. I take and pay particular attention to open recommendations that we have not closed. So the GAO finding a problem is not great news for us, but it is not a failure on our part. Not addressing their recommendation and not closing the recommendation is. And that is where I think we have such a good relationship, not just with GAO but also with

SIGAR and in particular with the USAID IGs. We will argue with them vociferously about points of art and about the state of how we do this, but at the end of the day, their job is to point out weaknesses, and our job is to address the weaknesses. So I think hearings like this are very useful, and I certainly think that the GAO and the two IGs provide a valuable resource. We had—I asked my staff, we have had over 248 recommendations from our IG over the course of the 10 years that we have been in Afghanistan, and of those, all but about 49 of them have been closed, and I know some of the 49 because they cross my desk regularly. The IG said that we needed to do X, but for reasons why we can't do that yet. So that would be the only point I would make is that I view this as not antagonistic and certainly not adversarial but as parts of a whole and making sure that we are good stewards with taxpayer resources.

Mr. ROHRBACHER. Okay. So you have been in and out of Afghanistan now for quite a few years, and you know about our struggle to develop that country. Is the government structure that we helped put in place, that we actually pressured people to adopt, is that so centralized that, number one, it encourages corruption? I mean, we have now a presidential system in which the President of the central government appoints all of the provincial governors, and then the governors then appoint the other officials down under them, so basically we have set up a system that if it was in the United States, the President of the United States would be controlling all the governments all the way down to the local city hall. Do you think that system lends itself to corruption?

Mr. SAMPLER. I am smiling, Congressman, that is a great question, and it is one that actually I think during the emergency Loya Jirga and the constitutional Jirga, we in the international community debated almost constantly, but what we fell back on to in the end was that it was not our decision to make, we did have and there is no question that the international community influenced the Afghans in the shape and the form of their government.

Answering from a developmental academic perspective, I don't think that a centralized government fosters corruption more than, say, a decentralized government would. What prevents corruption is robust institutions, and if the Afghans had the capacity in the provinces and the districts for robust institutions, there would be more room for decentralization. It is my experience, my personal experience, not the Agency's, that in Afghanistan, that capacity is not there universally yet. It is growing. And, again, the schools are growing it fast. As these provincial centers are able to absorb capacity and to absorb resources, they should.

If you are asking me whether or not having, whether the Afghan Constitution having the President appoint and the governors appoint is the best system, the only comparison that I can make is it took us 12 years to go from the Articles of Confederation to a Constitution that was the best I think in the world, and even then our Constitution took 114 years as of yesterday to give women the right to vote. I think it is important that we hold the Afghans accountable to a high standard, but it has to be an achievable standard, and you know better than I perhaps because you roamed that country with less security details and less constraints, their culture

is incredibly entrenched. And it is not going to be something that we can change in a decade, which is one of the reasons I have been so encouraged to hear discussion about a longer-term investment, certainly at diminished levels, but the United States is going to stay the course in Afghanistan so that we don't make mistakes that we made after the last time we were working in that part of the world.

Mr. ROHRABACHER. The opposition to the current government from the northern sector of the country is suggesting that they have—by the way, people have claimed that I believe in some sort of segmentation of the country and dividing the country, which I do not, just for the record. And where they get that is that I believe that we have to have a system that does in some way address their basic culture, which is decision making needs to be made at the tribal and village level as much as possible, but in terms of the—so Mr. Karzai has covered himself by suggesting that means I believe in cutting the whole country apart. Also I happen to believe in—that in Afghanistan, it might be better—or whatever I believe is irrelevant, but the people may want this, and they should be given the choice of deciding. A lot of people in the northern part of the country would rather have a parliamentary system in order to make sure that you just don't have all the power in one man and if you do have a President or Prime Minister of the country, that at least that person has to rely on a coalition instead of everything from the top down, and—any thoughts on that?

Mr. SAMPLER. Congressman, I think your recognition of local decision making is just as relevant today as it was when you were there. One of the lessons that we have learned in our 10 years there was focusing, for example, on rule of law issues. Rule of law, to us, means judges, it means prosecutors, defense attorneys; it means courtrooms. Rule of law to Afghans mean local shuras, and it means sitting down with the elders of the two villages that are in dispute and coming to a sensible conclusion, and then everyone agreeing to it and walking away. That is a lot less expensive than courts. In Afghanistan, it is a lot more effective. It is sensitive and recognizes the leadership that they have in their own communities.

Just an anecdote about illustrating the differences in how we see the world and how they see the world, after the emergency Loya Jirga, I sat with elders and was beginning to presage that there were these elections coming, and one of the gray beards from one of the communities said, Mr. Larry, I fought with the Muj, I am the water master in my village, I have been on the Hajj, I have done all these things. This young man is my grandson, why should his vote count the same as mine? And I was a recent graduate from an excellent university in the United States, and I didn't have an answer to that. What I have come to realize is that Afghan systems aren't worse than ours in some cases; they are just different. We need to identify their strengths and their weaknesses, and we need to make sure that we protect our equities, be it taxpayer dollars or people, and then we need to let the Afghans get on with doing business in ways that are transparent and accountable.

Mr. ROHRABACHER. Let's just note that the only time period that I have been able to discern from their history where they had decades long of relative stability happened under the leadership of

Zahir Shah, who is one of the beloved figures of Afghan history, and the reason why he was beloved and able to be the leader of the country is he left people to govern themselves at the local level and let the village and the tribal leaders have their meetings and make their decisions. He did not try to govern the country by having a centralized army forcing everybody to do what his appointee in that area was insisting. That is how he succeeded and in Afghanistan had decades of relative stability, and after the Communist efforts to unseat him and he was in exile in Rome, I believe the greatest mistake we ever made was not bringing him back and pressuring him to bring Karzai into a position of being able to be in power, and so, right now, my analysis of what this structure looks like is I find it difficult to tell the difference between the structure that we have set up, a centralized structure where one person is making the appointments and they are trying to build a strong army in the center and having foreign troops there to give added strength to the central government, I don't see where we are any different than what the Soviets were in when I first went to Afghanistan 25 years ago. And the Soviets did not succeed, and we won't succeed if that is what it is all about.

So I respect the fact that you and others are doing your best to try to help our country succeed, and you are doing your very best, and I know our military people are doing their very best. I don't think that we have given, laid down the ground rules in a way that will permit them to succeed, and the American people can't go on like this. We may have signed a contract to be with them for another 10 years. American people don't want to be in Afghanistan another 10 years. We don't want to be providing foreign military advisers there. We don't want to be providing foreign aid there. We want to let those people govern themselves, work through the systems that work with their culture, not try to superimpose things, and leave with a smile and say, we are your friends, but we are not your keepers.

So, thank you, again, for what you are doing, and I agree, I am very happy that you started your comments thanking the men of the American military who sacrifice so much and people like yourself have sacrificed for that, too.

With that said, I am going to give you the last word, 30 seconds.

Mr. SAMPLER. No, thank you very much.

Mr. ROHRABACHER. With that said, I want to appreciate, Larry, I appreciate you being here.

I appreciate the first witnesses, and I think we have had a really honest dialogue and discussion today.

I think if we dig through all of this, we are going to find some gems, and with that said, I hold this hearing adjourned.

[Whereupon, at 4:22 p.m., the subcommittee was adjourned.]

A P P E N D I X

MATERIAL SUBMITTED FOR THE HEARING RECORD

SUBCOMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C.

Subcommittee on Oversight and Investigations
Dana Rohrabacher (R-CA), Chairman

May 30, 2012

You are respectfully requested to attend an OPEN hearing of the Subcommittee on Oversight and Investigations, to be held in **Room 2200 of the Rayburn House Office Building** **(and available live, via the Committee website at <http://www.hcfa.house.gov>)**:

DATE: Wednesday, June 6, 2012
TIME: 2:00 p.m.
SUBJECT: Investigating Waste, Fraud and Abuse in Afghanistan
WITNESSES: Panel I

Mr. John Hutton
Director
Acquisition and Sourcing Management
U.S. Government Accountability Office

Mr. Charles Johnson, Jr.
Director
International Affairs and Trade
U.S. Government Accountability Office

Panel II

Mr. Larry Sampler, Jr.
Senior Deputy Assistant to the Administrator
Office of Afghanistan and Pakistan Affairs
U.S. Agency for International Development

By Direction of the Chairman

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.



COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF SUBCOMMITTEE ON Oversight and Investigations HEARINGDay Wednesday Date June 6, 2012 Room 2200 RayburnStarting Time 2:30 pm Ending Time 4:22 pmRecesses n/a (to) (to) (to) (to) (to) (to)

Presiding Member(s)

Chairman Dana Rohrabacher

Check all of the following that apply:

Open Session ☒Executive (closed) Session ☐Televised ☒Electronically Recorded (taped) ☒Stenographic Record ☒

TITLE OF HEARING:

Investigating Waste, Fraud and Abuse in Afghanistan

SUBCOMMITTEE MEMBERS PRESENT:

Chairman Dana Rohrabacher and Ranking Member Russ Carnahan

NON-SUBCOMMITTEE MEMBERS PRESENT: (Mark with an * if they are not members of full committee.)

*none*HEARING WITNESSES: Same as meeting notice attached? Yes ☒ No ☐

(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: (List any statements submitted for the record.)

*Prepared Statment of the Government Accountability Office**Prepared Statement by Mr. Larry Sampler, Jr.*

TIME SCHEDULED TO RECONVENE

or

TIME ADJOURNED 4:22 pm
Subcommittee Staff Director